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Budget, Farm Policy Disputes Mark Opening of EC Meeting

By Axel Krause

BRUSSELS — Wide divergences over budgetary issues and a change in the Common Agricultural Policy marked the opening Monday of a European Community summit meeting.

It had been clear before the opening of the 10-nation conference that the negotiations would be difficult, and delegation sources said after the opening that the atmosphere had become "tense, heavier and more difficult."

Asked how the talks were progressing, Prime Minister Margaret Thatcher of Britain said, "It's tough going."

Conference sources said some progress on negotiations to limit contributions to the EC budget by Britain and West Germany had been reported shortly after the leaders arrived Monday afternoon. As the atmosphere became more tense, some EC leaders were blaming Mrs. Thatcher for insisting on reducing her country's budget contribution.

"It looks as if Mrs. Thatcher has an extremely small will to make the necessary concessions," said Prime Minister Poul Schluter of Denmark.

On other EC issues, Mr. Schluter said "the British negotiating position is disappointing and very little European."

A West German spokesman told Reuters: "The whole thing hinges on Mrs. Thatcher. She is completely unrepentant and inflexible." He quoted President Francois Mitterrand of France as telling Mrs. Thatcher, "I thought you had come here to make an effort."

Failure to resolve the budget issue could bankrupt the EC later this year and lead to a weakening of political cooperation in Europe.

If the meeting succeeds, it could reinforce the determination of President Mitterrand and other EC leaders to establish new programs

of cooperation in policies on industry, defense and foreign policy.

Mr. Mitterrand is president for six months under the community's system of a rotating presidency. He is chairman of the two-day meeting.

France submitted proposals last Friday providing for a mechanism to calculate EC budget contributions that would take into account a country's relative per capita wealth, a key British demand.

While British officials said earlier Monday that they generally welcomed the approach, as well as another French proposal aimed at limiting overall community spending, they said Monday afternoon that Mrs. Thatcher considered the proposals "vague."

Mrs. Thatcher is seeking to reduce Britain's net contribution to between 400 and 500 million European Currency Units (\$340 and \$425 million). This would take into account Britain's total projected annual contribution to 1984 of 2 billion ECUs and a refund of 1.5 billion ECUs.

The refund would be double the amount Britain is seeking for 1983. But the French spokesman said "we are still only talking principles, not numbers."

The payment of the 1983 refund is being blocked by France and Italy pending the outcome of negotiations on budget issues.

What conference sources described as "something of a British-German rapprochement" involved a proposal by Chancellor Helmut Kohl that West Germany's net contribution to the EC budget, now 2.4 billion ECUs, also be reduced in the future. He did not provide figures.

"Ours is a flexible approach, to leave the option open of reductions to future payments, if necessary," a spokesman for the West German delegation said.

The proposal was welcomed by Mrs. Thatcher. "Britain supports

the German idea," a spokesman said.

Britain and West Germany are the only net contributors to the EC budget of 25.3 billion ECUs, while the eight other members are net recipients. France is expected to become a net contributor if Spain joins the EC.

But the crucial condition for reducing expenditures, Mrs. Thatcher has emphasized, is limiting farm spending, which represents more than 60 percent of the total budget and is rising faster than any other component. British spokesmen said that the draft proposal to limit outlays before agreeing on annual payments was excellent.

One of the key problems raised Monday was that a plan to limit dairy production will add at least 550 million ECUs to the 1984 farm bill of 16.5 billion ECUs.

It was not immediately clear how the leaders would handle the refusal of Ireland, a major EC dairy producer, to go along with the proposal outlined Saturday.

Garret FitzGerald, Ireland's prime minister, said Ireland would seek to increase milk production by 40 percent during the next five years.

Some delegation sources said that if no compromise were reached it could lead to a weakening, and possibly a collapse, of the dairy proposal.

"It will be a Monday night of considerable talking and negotiating on most of the key issues," an EC Commission source said.

In a related development, the confederation of EC industries strongly urged the EC leaders to accelerate efforts to cooperate in modernization of industry.

Before a meeting with Mr. Mitterrand, Guido Carli, president of the confederation, said that even if the ministers failed to agree on agriculture and finance, there was "no sense in holding back on industrial policy."



Prime Minister Margaret Thatcher of Britain took her place opposite President Francois Mitterrand of France, right, for the opening Monday of the European Community summit in Brussels. Next to Mr. Mitterrand is his external relations minister, Claude Cheysson.

Honecker Is Viewed as Prime Mover As 2 Germanies Improve Relations

By Henry Tanner

International Herald Tribune

BERLIN — The prime mover behind events that have improved relations between East and West Germany and led to a proliferation of contacts between leading figures on both sides is the East German leader himself, Erich Honecker.

Among other things, in a phrase now used with approval by West German leaders of both left and right, Mr. Honecker has spoken of a "community of responsibility" obligating the two Germanies to make special efforts for a reduction of East-West tension.

But West German commentators question the extent to which Mr. Honecker is executing Soviet poli-

cies and how much his moves are dictated by specific East German interests and hopes.

Against this background, an influential member of the Communist Party leadership in East Germany, in a rare conversation recently, gave his views on some of these questions.

The official said that Mr. Honecker was pursuing a policy that was in the "specific interest" of East Germany and therefore perhaps different from the policies of other East European countries. But he said that Mr. Honecker had always made it plain that he agreed with the overall strategy of the Warsaw Pact and was fully committed to it.

The party official said that there was no contradiction in this, noting that it was obvious that East Germany was living in "specific conditions" that were the result of geo-

graphy and history. He stressed that Mr. Honecker's task was to assure the well-being of 17 million East German citizens and insisted that he had no need to consult Moscow or any other of his allies every time he made a move in keeping with these specific interests.

"If we Germans don't talk now to each other about the future, we may find ourselves talking to each other to Valhalla," he told a visitor. "We don't have to love each other, but reason and realism tell us that the only way for both of us to live in peaceful coexistence."

He repeated Mr. Honecker's phrase of a "community of responsibility," saying that because they live on the East-West dividing line, the two Germanies have a vital common interest "to work for a resumption of East-West negotiations on questions of control and

U.S. Investigates Meese Dealings; Hearing Put Off

Compiled by Our Staff From Dispatches

WASHINGTON — The Justice Department has opened an investigation into financial dealings of Edwin Meese 3d, the presidential counselor, and Mr. Meese has asked for a postponement of Senate hearings on his nomination to be attorney general.

Senator Strom Thurmond, the South Carolina Republican who is chairman of the Senate Judiciary Committee, granted Mr. Meese's request for a postponement.

Mr. Meese had been scheduled to testify at a second round of hearings set to begin Tuesday before the committee.

In an announcement Sunday evening, the White House spokesman, Larry M. Speakes, said that Mr. Meese acted after being notified that the Justice Department had decided to start a preliminary investigation under the Ethics in Government Act of 1978.

The investigation could lead to appointment of an "independent counsel" or special prosecutor.

Mr. Speakes said Sunday: "The president stands solidly behind the nomination and the president approved the request by Meese for a delay to the hearings."

The announcement came as Senator Joseph R. Biden Jr. of Delaware, who is the ranking Democrat on the committee, said he and a majority of the other committee members would probably vote against Mr. Meese unless questions

about his "integrity" were cleared up.

One Republican committee member, Senator Charles McC. Mathias of Maryland, said Monday that the Justice Department inquiry would hurt Mr. Meese's chances of confirmation.

"The attorney general must be perceived to be absolutely above any suspicion," Senator Mathias said in a television interview. "And it's going to be a tough job to make that kind of a clear and unblemished record for Ed Meese as a result of all of these investigations."

Asked what he thought the effect would be if the department did name a special prosecutor, Senator Mathias said that "at some point the president has to take account of what the political fallout is and to make some sort of a judgment on his own behalf, and I think that would be the point at which that judgment would come."

The Senate minority leader, Robert C. Byrd of West Virginia, announced Monday that he would vote against Mr. Meese's confirmation, saying: "He's in trouble."

The Senate Republican leader, Howard H. Baker Jr. of Tennessee, said he had "not seen anything that would remove my support for him."

Senator Byrd particularly criticized the FBI for not finding the loan when it conducted a routine background check on Mr. Meese and said he would introduce legislation to revamp the system for checking out presidential nominees, giving more responsibility to the independent Office of Government Ethics.

In his letter, Mr. Meese said: "I

(Continued on Page 2, Col. 3)



Walter F. Mondale, left, Gary Hart and the Rev. Jesse L. Jackson laugh during a televised debate in Chicago.

Mondale Expected to Win Most Illinois Delegates

Compiled by Our Staff From Dispatches

CHICAGO — Senator Gary Hart appeared to hold a narrow lead in popularity over Walter F. Mondale in Illinois on Monday, the eve of the state's crucial primary election, but Mr. Mondale had the edge in the contest for the state's delegates to the Democratic nominating convention.

The primary here Tuesday will be the biggest trophy so far in the

black's interviewed. These results were based on interviewing Wednesday through Saturday and therefore did not reflect any impact of the weekend's caucuses and primary or a candidates' debate here Sunday night. Since many surveyed said they had not been following the race closely, such events and other campaigning could have a major effect on the outcome.

Mr. Mondale is favored to take most of the delegates in Illinois Tuesday even if Mr. Hart wins the popular vote, because delegate selection and candidate preference are two different elections.

Mr. Hart's chances of winning the contest for delegates were crippled when his fledgling campaign failed to file more than 42 delegates. He has "adopted" 35 others

identified with dropout candidates, but Mr. Mondale has a full slate of 116 district delegates, most of them well-known political figures. Unpledged delegates loyal to Chicago's mayor, Harold Washington, are favored in at least two Chicago districts.

As for Mr. Jackson, the black activist whose home base is Chicago, the poll tended to find him inching ahead day by day, but not to within striking range of the two leaders.

In Sunday night's debate, the three Democratic presidential survivors, clashed over civil rights, Chicago politics and "new ideas."

Mr. Hart's campaign theme, "In the race for new ideas, I win," Mr. Mondale said.

While Mr. Mondale and Mr. Hart argued over ideas, Mr. Jack-

son said his campaign had brought him to the "apex of the triangle" in the presidential fight, assuring that his supporters would not be taken for granted when the Democratic Party selects a nominee this summer.

There were several barbs directed at President Ronald Reagan, whom Mr. Mondale called "one of the most gifted baloney artists in modern history."

The highlight of the televised 60-minute debate came when Mr. Hart handed a copy of his book, "A New Democracy," to Mr. Mondale as evidence of the new ideas he had brought to the campaign.

"Leadership is taking the risk of putting specific ideas in the public arena," Mr. Hart said, "knowing full well that your opponents can take a shot at it." (WP, UPI, AP)

U.S.-Jordan Missile Deal Is Meeting Opposition

By John M. Goshko

Washington Post Service

WASHINGTON — Secretary of State George P. Shultz and key Senate Republicans are reportedly urging President Ronald Reagan to drop the proposed sale of shoulder-fired anti-aircraft missiles to Jordan.

But Mr. Reagan, citing a promise to King Hussein, has rejected the advice, administration and congressional sources said Monday.

The sources said that congressional indignation caused by King Hussein's criticism of the United States last week was expected to result in legislation barring the administration's plan to sell 1,613 Stingers valued at \$133 million.

The sources said Mr. Shultz and Republican congressional leaders have told Mr. Reagan that attempting to go ahead with the sale was likely to end in an embarrassing defeat.

They also warned that the fallout from a bruising congressional fight could damage the administration's plans to get Congress to agree to spend \$220 million to create a Jordanian strike force for use in the Gulf and to sell 1,200 Stingers worth \$140 million in Saudi Arabia.

The sources said Mr. Reagan has been reluctant to follow their advice despite the fact that King Hussein accused the United States of having a one-sided bias toward Israel only a day after the president raised the anger of Jewish voters in the United States by supporting the arms sale to Jordan in a speech to a Jewish organization.

The sources said Mr. Reagan, who promised to provide the Stingers when Hussein visited the White

House last month, believed his word of honor was at stake.

The sources said the president's disposition was not to withdraw the sale notification sent to Congress on March 1 and instead to let Congress take responsibility for halting the transaction.

The White House spokesman, Larry M. Speakes, said Monday that the administration intended to press ahead with the sale.

In response to King Hussein's warning Sunday that he was prepared to turn to other arms suppliers including the Soviet Union, Mr. Speakes said: "It is reasonable to assume that we were not to get arms here from the United States he might logically feel he should go elsewhere."

The White House position has not been received favorably by congressional Republicans, who are unenthusiastic about being forced into a public debate over aid to Jordan during an election year.

A letter circulated by Senator Bob Packwood, Republican of Oregon, calling on Mr. Reagan to reconsider the sale, has been signed by more than 40 senators.

Congressional sources said Senator Packwood probably would have more than 50 signatures, which is a majority of the Senate, by the time he makes the letter public later this week.

In a newspaper interview last week, King Hussein said that U.S. bias toward Israel had caused him to lose faith in the Reagan administration's ability to advance the Middle East peace process.

The harshness of his remarks shocked the administration, which had been hoping to coax King Hussein toward peace talks with Israel.



John Kifner

Kevin Ruane

Poles Question Reporters On Links With Lawyer

By Dan Fisher

Los Angeles Times Service

WARSAW — Two Western correspondents were questioned at Warsaw police headquarters Monday about their involvement with a Polish defense attorney who is accused of slandering the state.

Kevin Ruane of the British Broadcasting Corp. and John Kifner of The New York Times said they had declined to answer questions regarding the lawyer, Wladyslaw Slianowski, on the principle that journalists have to protect the identities of their sources.

Mr. Kifner, 42, said he was warned that he was subject to Polish law, which provides for a prison term of up to five years for refusing to answer investigators' questions. He repeated his refusal after the warning.

It was not immediately clear whether the authorities would pursue the matter. Both journalists were released after brief sessions Monday — Mr. Ruane after two hours and Mr. Kifner after one hour at the Interior Ministry.

The summons were seen here as an attempt to intimidate Western newsmen generally and to discourage dissident Poles from giving them information.

Both men reported last month on an open letter from Mr. Slianowski to the Polish leader, General Wojciech Jaruzelski, in which the 70-year-old lawyer accused the authorities of flouting the system of justice in their handling of three related and highly sensitive political cases.

The authorities subsequently announced that Mr. Slianowski was under investigation for slanderous statements which harmed Polish state interests.

An Interior Ministry interrogator asked both journalists Monday how they had come into possession of the letter.

"I said that as a journalist I could not reveal my sources," Mr. Kifner said. "They didn't seem to dispute that at all," he added.

Mr. Kifner said he refused to answer a similar question as well as others related to his contacts with the attorney.

"I respectfully declined to answer due to my newspaper's policy of protecting sources," Mr. Kifner said. He added that the interrogating officers reminded him that refusal to answer questions was punishable by up to five years' imprisonment, but did not press the point.

A former adviser to the since-banned Solidarity free trade union movement who spent 10 years in prison after the postwar Communist takeover of Poland, Mr. Slianowski has made a career of defending people accused in political trials here.

His letter, addressed to the Polish leader, General Wojciech Jaruzelski, was the sharpest public charge yet of attempts to cover up official responsibility for the death of Grzegorz Przemyk, 19, who died of injuries suffered after he was detained by police last May.

The questioning of the two journalists was seen as the most serious move against Western newsmen by the Polish authorities in more than a year.

INSIDE

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■ A Hindu festival turned into a pretext for the harassment of women in India. Page 5.

BUSINESS/FINANCE
■ The prime rate was raised by many U.S. banks to 11½ percent from 11 percent. Page 9.

■ China said it wanted to expand its U.S. trade. Page 9.

SPECIAL REPORT
■ Part II of a two-part special report on the Japanese economy today. Page 13.

TOMORROW

■ China's state airline is trying to overcome its reputation for surliness, incompetence and sloth.

■ Sudan Requests UN Meeting
Sudan called Monday for a meeting of the United Nations Security Council to condemn what it described as Libyan aggression, Reuters reported from Cairo.

■ The AWACS, whose full name is Airborne Warning and Control Systems, is a converted Boeing 707 bearing large radar disks on top of the cabin. In addition to keeping track of all planes in the vicinity, it can direct fighter jets to intercept enemy aircraft.

Officials repeated Sunday that the United States had no intention

of intervening in the civil conflict in Sudan, which has resumed after a decade of relative calm. The conflict involves the predominantly Moslem north, which runs the government, and animist south who seek independence or more autonomy.

The fighting reportedly started last fall when President Nimeiri sought to impose Islamic law on the entire country and to weaken the political force of certain tribes in the south through the creation of new provinces intended to disperse their strength.

Tues
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Is There No Good Word for Nice?

Insiders Write About a City of Kickbacks and Scandal

By John Vinocur
New York Times Service

NICE — For a gorgeous city, people talk badly about Nice. For a place whose bay shines with a dozen gradations of blue, for a town where the early morning smells are still of flowers and the sea, the line on Nice can be hard.

Nietzsche, who lived here a century ago, spoke cruelly of the city, the locals recall, describing the citizenry as rapacious. Tobias Smollett, the Scottish novelist, they remember, gave Nice low marks as well. Graham Greene, who has a house nearby, brought things up to date a few years ago, writing an accusatory pamphlet in which City Hall, the police and the Nice establishment came off as crooks and thugs.

Until recently, most of the complaints were made by "foreigners" from up north, people said here to be so rigid, so frozen of spirit as to mistake Mediterranean tolerance, solidarity and pace for plotting, or clannishness, or sloth. When they could, the Niois would strike back: The plaque at Nietzsche's house, now a cut-rate furniture store, describes him as a "tormented genius" just passing through.

In the past two years, something has changed. Two books, written by men who have spent all their lives in Nice, have appeared, insiders' viewpoints that find the city corrupt, maddening and now on the decline.

Nice's philharmonic orchestra, its growing university, a new convention center, don't count much. The argument is that Nice is a rich Naples, a city of kickbacks and construction scandals, a place of

Chinatown-like tongs that battle among themselves, kill each other, but resolve their disputes by their own private standards in a way that makes Nice the inevitable loser. By one of the book's statistical analyses, there is more crime per inhabitant between La Promenade des Anglais and the hills behind the city than in New York or Chicago.

The cumulative effect is that the old sunshine words associated with Nice are being replaced; in the current issue of French Vogue for Men, an article describes a celebrity as dressing as vulgarly "as a Nice cop."

The hard look at the city extends even to La Baie des Anges, the magnificent sea crescent that is Nice's rim of blue. It's no Bay of the Angels with a celestial connection, according to Michel Franca, co-author of one of the muckraking books, but a body of water literally named after a local fish — a member of the shark family.

Nice's defense now is to admit its troubles, but to revel in its contradictions and to relish telling the outsider that he will not easily understand how things work here. Don't complain, don't explain: That is the firmest local rule.

A law enforcement official, recently transferred to Nice, tells a visitor of a social services employee who embezzled \$50,000; no arrests, no charges, the money is quietly replaced. An official of a cultural festival, he goes on, defrauds another large sum. His friends "handle the problem."

In an election campaign here, Max Gallo, the son of a Nice construction worker and now the

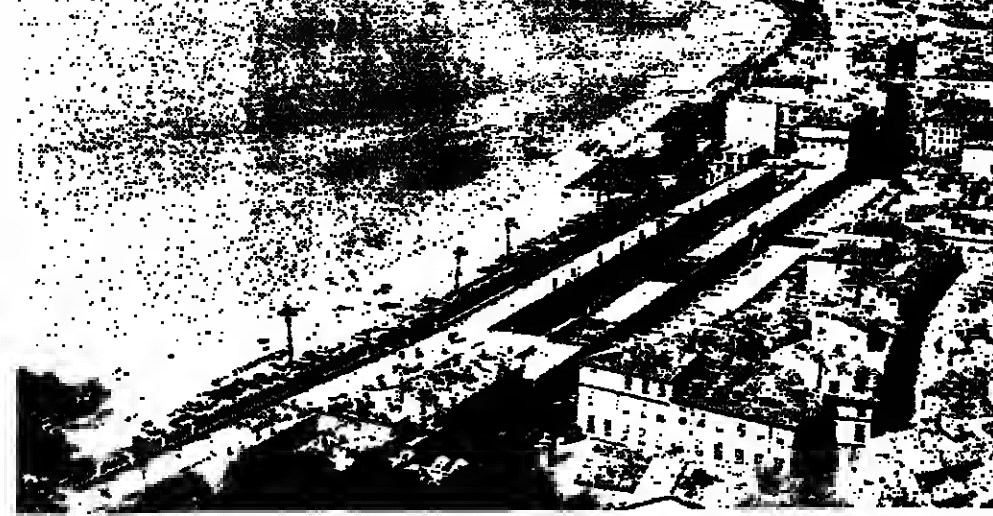
spokesman of the Socialist government in Paris, pushed the theme "tout s'achève, tout s'arrange," meaning that in Nice everything is for sale and anything can be arranged. Mr. Franca, a friend of Mr. Gallo, says with hindsight that he is not sure the tone was exactly right since the Socialists lost heavily in last year's municipal election.

"The Niois is a booster in a funny way," he says. "Tell him the town is corrupt, and he'll say 'Sure' and then insist that it's a special Nice kind of corruption that isn't really corrupt and that no outsider will be capable of understanding."

There are clans within clans overlapping other clans, and none of the clans matter if the issue is Nice and old friends. For the prefect of police, Etienne Coccaldi, appointed to Nice after 12 years as a prosecutor in Marseille, the interlocking groups here form an enclave, tighter and more secretive than any he had known before.

"If I talk to you about La Ca-morra," said William Caruchet, a Nice lawyer, "then your face goes all white because you think I'm talking about some Mafia like they have in Naples, something suspect, criminal. No, it doesn't mean that to Nice people. Here, it means our kind of solidarity, a certain comprehension of things. It's a kind of establishment. It means, 'He's from Nice, he's one of us.'"

Mr. Caruchet is a criminal lawyer and a member of the Communist Party, the president of the Polish-French Friendship Society and the attorney in France of the Iranian government, which executes tra-



La Baie des Anges, the Bay of Angels, in Nice: celestial connection or territory of sharks?

nian Communists on a regular basis.

His clients include Jean-Maurice Agniet, a disbarred attorney and leading Masonic figure who was accused of fraud and homicide in connection with what is known in Nice as the "casino war." It concerned criminal takeover attempts involving the city's two major casinos that led to national government intervention, the closing of both casinos and the flight from prosecution in France of Jean-Dominic Fraton, a casino owner and a boyhood friend of Mayor Jacques Medecin.

"Do you think it's odd that I would be Agniet's lawyer?" Mr. Caruchet asked. "Then maybe it seems strange too that my asso-

ciate, Jacques Peyrat, was a Foreign Legion officer and a former chief of the OAS," the Secret Army Organization that tried to block Algeria's independence from France.

"We think all this is normal," Mr. Caruchet said. "Judges come to Nice and they have nervous breakdowns. Cops get had reputations. Lawyers stay busy. But you watch out for your friends here. Outside of Nice, this just doesn't happen the same way, it isn't easily understood."

For a visitor just passing through and listening to the conversations, the contrasts are startling: the city's clean streets, the perfect flower beds in the middle of the roads, the shining Mediterranean; and then

the talk, hotels turning into old-age homes, a declining population, a convention center that may be too big, an investment beyond the city's means.

In the mid-1970s, the mayor's friends spoke of turning Nice into a French Las Vegas; now, with the casinos closed, they smile and talk of how the carnival went this time, the good crowds and the funny floats.

Mr. Medecin has explanations for the gulf between Nice's appearance and its conversational effluent. Graham Greene, "an aging man," the mayor insists, "was put up to what he wrote by Mr. Gallo."

In fact, Mr. Medecin said, the city and its tourist business are revitalized.

Franjeh Leaves Opposition Front As Lebanese Peace Talks Stagnate

By David B. Ottaway
Washington Post Service

LAUSANNE, Switzerland — Lebanon's factional leaders sought a compromise formula Monday to avert the appearance of total failure of their national reconciliation talks that were deadlocked over the issue of a new power-sharing formula.

The picture was complicated by the departure of former President Suleiman Franjeh, a Maronite Christian, from the Syrian-backed opposition National Salvation Front because of disagreements with his Muslim allies.

After eight days of intensive discussions, all parties seemed to be wearying rapidly, and the Druze leader, Walid Jumblat, said that a kind of "rubbish compromise" containing "vague promises" of future constitutional changes was in

the making, and that he had decided to accept them.

"If it's a compromise for the sake of saving more lives, then I'm ready, even if it's a rubbish compromise," he said. "I'm not going to be an obstacle."

Mr. Jumblat, who commands one of the two main Muslim militias, said that he was ready to abide by a new cease-fire if the Christian militia also agreed to it.

It was not clear whether the Shiite Muslim Amal militia leader, Nabih Berri, another main opposition leader, would accept the proposed deal. The proposal, as outlined by Mr. Jumblat, seemed to give Mr. Berri little to take home other than a commitment in principle to more radical change in the future.

The five Muslim and four Christian leaders met again in a plenary session late Monday night in a final attempt to agree on the wording of the proposed final conference statement.

President Amin Gemayel, the conference chairman, was circulating a new draft that, according to one report, left out any reference to ending Lebanon's system of distributing top government positions according to religious affiliation except for lower-ranking civil service jobs.

The issue of whether to do away with or modify the system in which religious sect determines the distribution of the major political posts has been the main dispute between Christians and Muslims at the conference, causing a split even in the ranks of the opposition.

Mr. Franjeh broke with his two Muslim colleagues in the National Salvation Front, former Prime Minister Rashid Karami, a Sunni Muslim, and Mr. Jumblat, over this issue.

Mr. Franjeh said he regarded the opposition front as dead and criticized Mr. Karami and Mr. Jumblat for not keeping the agree-

ment the three had struck prior to the Lausanne conference regarding changes.

But he still refused to align himself formally or meet with the two Maronite delegates, the Phalangist Party leader, Pierre Gemayel, President Gemayel's father, and former President Camille Chamoun.

Both the Muslims as a group and the two Christian leaders drew up their final positions Monday and submitted them to President Gemayel and Vice President Abdel-Halim Khaddam of Syria, who is playing the role of chief mediator at the conference.

It was on this basis that Mr. Gemayel then submitted his draft of the conference statement that was expected to be made public in its final form Tuesday.

■ **Beirut Fighting Continues**

Three persons were killed and 38 wounded in and around Beirut Monday, The Associated Press reported.

Police said the casualties took place in overnight fighting along the Green Line between Christian East and Muslim West Beirut and in artillery attacks on residential neighborhoods during the day.

Protests Reported In Czechoslovakia

The Associated Press

VIENNA — Czechoslovak university students and some municipal government officials have criticized a decision to station new Soviet missiles in their country, émigré sources said Monday.

Letters of concern about the deployment also continue to appear in government-controlled newspapers, according to the sources, who are in regular contact with dissidents in Czechoslovakia. Czechoslovakia pledged last year to accept Soviet nuclear missiles on its soil in response to NATO deployment of new missiles in Western Europe.

In another recent protest, the source said university students posted an appeal last month calling for the dismantling of Soviet missiles in Czechoslovakia. The émigrés said they were not familiar with the manifesto's text.

Pravda Says Afghan Army Routed Rebels

Reuters

MOSCOW — The Soviet Communist Party daily Pravda said Monday that Afghan government troops routed a 3,000-strong rebel force trying to install a U.S.-backed provisional government close to the Pakistani frontier.

It said that 600 guerrillas were killed in fighting for control of the garrison town of Urgun late last year and gave all the credit to the government forces. The account was the latest in a series of Soviet press articles to shed light on the scale of fighting in Afghanistan.

Western diplomats said the article, which did not mention Soviet action in the battle, appeared to be aimed at showing that the Afghan Army could hold its own.

About 105,000 Soviet troops support the Afghan Army, heavily depleted by battle and desertion, in its war against the Muslim mujahidin fighters.

Afghan forces with Soviet air and artillery support lifted a guerrilla siege of the eastern Afghan mountain town late last year, according to reports from Pakistan.

Pravda said the U.S. Central Intelligence Agency had pressed "the ringleaders of the Afghan counter-revolution entrenched in Pakistan" to form a provisional government in a zone based on Urgun.

"Promises were made of immediate recognition of the puppet government and prompt assistance from the United States and its allies," the newspaper said.

More than 3,000 "bandits" swarmed across the Pakistani frontier into Pakia province and made two attempts to capture Urgun, Pravda said.

The Afghan Army entered the Urgun valley through snow-bound mountain passes and, despite ambushes by "counterrevolutionaries," lifted the rebel siege. Killed 600 and took many prisoners, Pravda said.

"The Afghan soldiers demonstrated that they can cope with complex tasks requiring high military skill and courage," it said.

Honecker Called Force In New German Ties

(Continued from Page 1)

ultimate reduction of nuclear weapons."

Chancellor Helmut Kohl of West Germany used the "community of responsibility" phrase in his state of the union speech to parliament Friday. Hans-Jochen Vogel, the leader of the opposition Social Democrats, had used it at a press conference in East Berlin a day earlier.

Going a step further, the East German official described the tie between the two Germanies as a "security partnership," noting that neither of them would ever be able to live in security unless the security of the other was equally assured. The security partnership should take the place of mutual deterrence, he said.

He said it was nonsense to think that peace could be achieved by dismantling the power blocs of East and West, as some of the more radical members of the Greens party in West Germany have suggested.

On the contrary, he said, cooperation and improved relations between the two German states were possible only if the two governments were fully conscious of the fact that each was a member of its respective alliance, the Warsaw Pact and North Atlantic Treaty Organization, with corresponding obligations.

"Anything else is absurd, a dream, a fantasy," he said.

The official took issue with what he called the thesis of Günter Grass, the West German author, who had called on each of the German governments to put itself across the path of the superpower to which it is allied in order to block the road to further nuclear tension. This is not the way things work, the East German party official told his visitor.

The meeting had been arranged with the understanding that it was not an interview but a long, informal conversation. It took place in an office at the sprawling headquarters of the party's Central Committee, a short distance from

Unter den Linden, East Berlin's main thoroughfare.

The notion that peace requires the dissolution of NATO and the Warsaw Pact, while put forward by some of the Greens, is rejected by the established West German parties as well as, according to the party official, by the East German government.

But many West Germans, especially West Berliners, fear that Mr. Honecker's overtures are aimed essentially at softening West Germany's commitment to the Western alliance and, in the long run, at weakening the special status of West Berlin. Some of these fears have surfaced in the West German press.

In Bonn, nevertheless, the government's policy of accommodation with East Germany has broad bipartisan support except on secondary issues, a fact borne out by last Friday's Bundestag debate.

The Social Democrats are willing to go further than Mr. Kohl.

After delegations from the East German and West German parliaments held a joint meeting recently, Mr. Kohl objected on the grounds that it tended to obscure the contrast between the democratic West and the Communist East. However, Mr. Vogel and other Social Democrats urged continuation of such meetings.

On both sides, the rapprochement is described as an effort to protect the inner-German relationship against new U.S.-Soviet tensions before and after deployment of the new nuclear missiles on both sides of the German border.

Referring to that point, the Communist Party official noted that East Germans had failed to prevent the stationing of the Pershing-2 in West Germany, but, he stressed, they did not draw the conclusion from that that they should give up efforts to relax tensions.

He said that, on the contrary, Mr. Honecker wanted to put up "signposts" to make it clear that his government was interested in peace, trade and better relations with the other Germany.

U.S. Investigates Meese Financial Dealings

(Continued from Page 1)

welcome this inquiry by the Justice Department. It provides a full opportunity to evaluate and to expose the baseless insinuations that have received extensive media exposure and have been undoubtedly motivated by election-year politics."

Mr. Meese told Senator Thurmond that the Justice Department would be looking into "certain matters pertaining to the filing of information concerning the \$15,000 loan received by my wife in connection with stock purchased for our children's education."

He referred to an interest-free loan in late 1980 or early 1981 to Ursula Meese, which he disclosed for the first time last week along with the purchase of stock in the

Biotech Capital Corp., from Edwin W. Thomas, an old friend. Mr. Thomas became an aide to Mr. Meese in the White House in 1981 and was named as the San Francisco regional administrator for the General Services Administration in 1982.

Mr. Thomas's wife, Gretchen, was appointed to a federal job as an attorney examiner and presiding official for the Merit Systems Protection Board in San Francisco in 1982.

Mr. Meese said last week that his initial failure to disclose the loan on his financial disclosure statement for 1981 had been "inadvertent."

Senator Biden, speaking before the White House announcement, said that the nomination "would be

in serious trouble" unless new hearings showed "he's a man of integrity."

The Delaware Democrat spoke in a telephone interview as administration officials considered whether to invoke executive privilege to resist his request for testimony from three top White House officials about how people who had helped Mr. Meese financially got government jobs.

Senator Biden said: "If the vote were held today without any further explanation from Mr. Meese, I think he would be in serious trouble. I don't think he would get the votes of the majority of the Democrats and I think he'd be in trouble with regard to several of the Republicans."

"I would vote against Meese" on the basis of the record as it stands, he said.

The committee has 10 Republicans and eight Democrats. To be confirmed, Mr. Meese must win the votes of a majority in the Republican-controlled Senate, which would be difficult if the committee were to disapprove his nomination.

One Justice Department source, who asked not to be identified, told The Associated Press that it might be difficult to confine the inquiry to inaccuracies in Mr. Meese's financial statement.

Mr. Meese's main opponent on the committee, Senator Howard Metzenbaum, an Ohio Democrat, said through a spokesman that the Justice Department action was appropriate. (NYT, AP, UPI)

WORLD BRIEFS

U.K. Police Protect Working Miners

LONDON (Combined Dispatches) — Police protected thousands of coal miners as they crossed militants' picket lines Monday. The police reported that most workers in about a third of the mines who have voted against joining a strike entered their mines when the day shift began. But the National Coal Board, which runs the state industry, said only 44 of the 174 mines were producing Monday, the eighth day of the strike. The action, against planned closures of 20 mines and the expected loss of 20,000 jobs, has split the 183,000-member National Union of Mineworkers and triggered violence on the picket line. Policemen scuffled with Yorkshire miners at Nottinghamshire's Huddon and Bevercotes mines and arrested three picketers outside their own place of work. The government had sent 8,000 police to the coalfields to protect miners who voted to continue working. (AP, Reuters)

India Calls Up Navy in Dock Strike

NEW DELHI (AP) — The Indian government called out navy troops Monday to unload supplies of petroleum products, coal, fertilizers and edible oils from stranded ships, as India's 300,000 longshoremen remained on strike for the fourth day.

Seven persons, including police officers, were killed in the port of Paradip when armed police intervened to quell a clash between two rival factions of a dock union, authorities said. About 500 people were reported wounded. Port officials said rioting dockers snatched rifles from police and opened fire, killing five policemen.

Navy troops deployed at the southern Indian port of Tuticorin unloaded a ship carrying coal for the local thermal power station, officials said. The Indian National Port and Dock Workers Federation condemned the government's calling out the navy.

U.K. Probes Leak of Military Data

LONDON (Reuters) — The police are investigating allegations that a civil servant sold confidential military documents to The Observer, a leading British newspaper.

A police spokesman said Monday that Defense Ministry documents were passed to the Sunday paper. The documents were the basis of articles published in November alleging inefficiency in the Defense Ministry, as well as overspending and cover-ups. It is the latest in a number of leaks to the press by disenchanted civil servants that have embarrassed Prime Minister Margaret Thatcher's government.

Last week, Mrs. Thatcher ordered the police to find out how The Guardian newspaper managed to forecast virtually the entire British budget two weeks before it was announced.

Protestant Major Wounded in Belfast

BELFAST (AP) — Masked gunmen shot and wounded a part-time major in the Ulster Defense Regiment on Monday when he arrived for work at Belfast's blood transfusion center, police reported.

The major, who was not identified, was shot several times at point-blank range by two men, said inspector Jim Boyda, a police spokesman. The victim, a Protestant in his mid-30s, was taken to Royal Victoria Hospital, where a spokesman said his condition was serious.

The shooting came as police in Belfast interrogated Dominic McGlinchey, the chief of staff of the Irish National Liberation Army who has boasted of killing 30 people since 1972. Mr. McGlinchey, who was captured Saturday in the Irish Republic and extradited to Northern Ireland, is expected to be arraigned this week on a charge of murdering a 63-year-old postmistress in 1977, authorities said.

Hanoi Moves Toward Cambodia Talks

SYDNEY (Reuters) — Vietnam held out hopes Monday of a regional conference on Cambodia following agreement that the five-year-old conflict should be given priority in any regional security talks.

Foreign Minister Nguyen Co Thach said at a news conference in Sydney that Australia, Indonesia and Vietnam should contact other governments to "find some appropriate forum for discussions." Vietnam previously said that wider regional security issues must be included in any regional conference agenda, while non-Communist Southeast Asia has insisted that talks focus on Cambodia and the withdrawal of Vietnamese troops.

Mr. Thach listed five points that Hanoi would be willing to discuss as a first stage toward peace and stability in the region. They were: Vietnamese troop withdrawals; the elimination of the Khmer Rouge as a political and military force; a safety zone on the Thai-Cambodian border; security of Vietnam's own borders and self-determination without the Khmer Rouge.

Belgian Austerity Plan Wins Support

BRUSSELS (Reuters) — Prime Minister Wilfried Martens of Belgium has won a parliamentary confidence vote on a plan to reduce Belgium's large public deficit by 250 billion Belgian francs (\$464 billion) in three years. The vote Sunday night was 111 to 93 with 1 abstention.

The plan is intended to cut the deficit from 12 percent of the gross domestic product to 7 percent by 1987. It is to take effect before the end of this month of a period of special powers that enables the government to decree economic measures.

A feature of the plan is a change in the inflation indexation system, which will mean an annual 2-percent cut in the real value of wages and welfare benefits for each of the next three years. The plan also aims at shoring up the Belgian franc.

Nkomo Charges Rally Was Disrupted

HARARE, Zimbabwe (Reuters) — Youthful supporters of Prime Minister Robert Mugabe disrupted an opposition party rally Sunday, injuring 10 persons, the opposition leader, Joshua Nkomo, said Monday. Mr. Nkomo, the leader of the Zimbabwe African People's Union, said about 200 youths armed with axes, hatchets, bricks and sticks had attacked hundreds of ZAPU members in the midlands town of Kadoma. He said that police used tear gas to disperse the youths and that the rally, at which he was to speak, had to be canceled.

Mr. Nkomo, who returned to Zimbabwe from self-exile in Britain in August, claimed when he left the country that Mr. Mugabe had ordered him killed. He said Monday that he had planned to use the rally to press for an open debate on Mr. Mugabe's intention to set up a one-party state in Zimbabwe.

U.S. Court to Rule on Indians' Claim

WASHINGTON (UPI) — The Supreme Court agreed Monday to rule whether the state of New York can be held liable for taking five million acres of land from an Indian tribe over the past two centuries.

The justices said they would review a lower court ruling that said the Onondaga tribe damages for negotiating unfair contracts to take over their lands. The court will hear arguments in the case next fall.

While the suit before the court involves only a few acres and damages of \$16,000, the lower court rulings in favor of the tribe place in question the ownership of nearly five million acres in New York state. It eventually could involve lands from Pennsylvania to the Canadian border worth up to \$1 billion. Between 1795 and 1846, New York state bought much of the land for 50 cents an acre and then sold it to settlers for \$3.53 an acre. The Onondaga tribe filed a lawsuit in 1970 asking for New York and two counties to pay damages for the loss of their lands.

For the Record

Japanese kidnappers demanded a ransom Monday of 1 billion yen (about \$4.4 million) in cash and gold for a businessman who was dragged from his bath Sunday night, police said. They abducted Katsuhisa Ezaki, head of a large confectionary company, in Nishinomiya city in western Japan. (Reuters)

A Shanghai court has sentenced Tao Shanben, who was described as a remnant of the Gang of Four, to life in prison on charges of spying for Taiwan and for counterrevolutionary activities, the Liberation Daily reported Monday. (AP)

A grenade exploded in a car in Paris Monday. Paul Nulzer, 26, who police said was in the act of planting the grenade on a street in central Paris, lost his left arm in the explosion. They added that the owner of the car was known to have strong links with the underworld. (Reuters)

A Kenyan court sentenced Hezekiah Ochuka, 30, the alleged leader of a coup attempt in August 1982, to death Monday on charges of treason. The 30-year-old former air force senior private denied being a leader of the revolt but said he took part under orders from superiors. (AP)

Senator Strom Thurmond, 81, a Republican who has been a mainstay of South Carolina politics for more than four decades, announced Monday he will seek re-election to his sixth full term in the Senate. (AP) President Li Xiangjun of China arrived in Kathmandu Monday night on the first visit to the Himalayan kingdom of Nepal by a Chinese head of state. Mr. Li is on the last stop of a four-nation tour that included Pakistan, Jordan and Turkey. (Reuters)

The U.S. Supreme Court, in a move that could save consumers \$1 billion or more, refused Monday to salvage a pricing structure for natural gas created by the federal government four years ago. The justices let intact a ruling that the Federal Energy Regulatory Commission acted illegally when it changed the system of calculating how much pipeline companies pay gas producers in 1980. (AP)

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José Napoleón Duarte walks among supporters during a rally in Santa Tecla.

In El Salvador, an Election Spectacle Attracts Big Crowd for d'Aubuisson

By Richard J. Meislin
New York Times Service

SAN SALVADOR — A squad from the rightist Nationalist Republican Alliance has faced down a group of 11 purported Communists in a soccer match staged by the party as a metaphor for El Salvador's election campaign. The rightists won.

Members of the rightist political party, the Nationalist Republican Alliance, staged the game Sunday before about 30,000 cheering supporters at the Flor Blanca Stadium here as the campaign for president entered its final week.

The young rightists won, 8-2, in some cases despite and in some cases because of interference by referees dressed to represent Alvaro Alfredo Magaña, the country's provisional president, and Thomas R. Pickering, the U.S. ambassador. The fix was in from the start.

The party's presidential candidate, Roberto d'Aubuisson, sat in the bleachers with a broad, satisfied smile on his face as the team representing his party took on the other party supporters representing the "Communist Futbol Club," which was dressed in the green colors of the Christian Democratic Party.

The team later stripped off its green shirts to reveal red ones underneath, the image that Mr. d'Aubuisson has tried to promote as the Christian Democrats' true colors. In the end, the figure representing Mr. Pickering and another wearing a mask of President Ronald Reagan were making conciliatory movements to the team representing the d'Aubuisson party.

This has not yet happened to any great extent in real life. While the Reagan administration has said it will support whoever wins the elections, it has distanced itself from Mr. d'Aubuisson, most recently by denying him a visa March 5 to visit the United States.

Mr. d'Aubuisson has been accused by Robert E. White, former U.S. ambassador to El Salvador, and others of running rightist death squads believed responsible for many of the thousands of political killings in El Salvador since 1981.

Sunday's action, compared with some of the speeches the candidates have been making about each other, was all in fun.

Mr. d'Aubuisson had warned up the pom-pom- and flag-waving crowd with a variation on the pointedly nationalistic speech he has given throughout the bitter campaign.

Addressing himself directly to the foreign reporters in the crowd, the wiry former army major said: "You have lied when you say that we're in a civil war. We are the victims of a foreign aggression."

He dismissed any ideas of resolving El Salvador's conflicts through talk with the government opposition.

"We are never going to negotiate, we are never going to dialogue, we are never going to surrender," he said.

The sun-drenched crowd, wearing nearly identical red, white and

blue party caps, erupted into cheers in unison and waved their red, white and blue party flags and pom-poms in cadence. Chants of "Patriotism, yes! Communism, no!" were heard again and again as Mr. d'Aubuisson ended his brief talk.

Mr. D'Aubuisson supporters had been trucked and bused to the capital from all over the country for the event, which was the largest rally to be held during the campaign.

The candidate of the Christian Democrats, José Napoleón Duarte, meanwhile, gathered a crowd of 2,000 supporters at a rally in Santa Tecla, a few miles west of the capital. Mr. d'Aubuisson was born there.

Mr. Duarte spoke of Mr. d'Aubuisson and his supporters as "Nazi fascists" who "don't have the guts to take the steps to control the abuses of authority."

"Never has he said one word on how he is going to confront the violence," he said. "The only thing that he has talked about is private initiative — that he is going to return the banks to private enterprise, that he will return the land to its old owners."

Mr. Duarte promised new aid to farmers and small businesses to help reactivate the economy.

The crowd, which massed in Santa Tecla's central plaza, was not one of Mr. Duarte's largest, but it was among his most enthusiastic. Shouts of "President! President!" and "Justice! Justice!" occasionally interrupted his 20-minute talk.

Security around Mr. Duarte was unusually light, and he was mobbed by the crowd as he finished, stumbling several times as he made his way from the podium to his bulletproof station wagon.

The third major candidate, Francisco José Guerrero, spent his day in the northwestern city of Santa Ana, El Salvador's second largest. About 2,000 people gathered in the central park to hear Mr. Guerrero's usual message of "peace through conciliation."

The candidate accused Mr. d'Aubuisson of filling up the Flor Blanca Stadium with poor farmers who had been trucked in against their will, and he took a swipe at Mr. Duarte, intimating that he would make a pact with the leftists fighting in the hills.

The National Conciliation Party of Mr. Guerrero is saddled with a reputation for corruption that it developed during the 50 years that

Cuban Consumers Enjoy Better Times

'Parallel Market' Makes Up — at a Price — for What State Cannot Supply

By Edward Cody
Washington Post Service

HAVANA — Engenio Balari is Cuba's king of consumption, assigned to make sure the island's highly planned Communist economy provides people with the food and goods they need. Uppermost in his mind right now is Opina, a new line of clothes his Institute of Internal Demand is trying to launch on what passes here for a fashion market.

The sight of Mr. Balari chuckling over a designer's sketches for a stylish dress and modish jeans, both with lines more Latin than Marxist, seems to sum up a feeling of relative well-being in the Cuban economic atmosphere these days. Havana traffic is still light for lack of cars and gasoline, and Cuban supermarkets still look more like feed stores than Safeways. But modest signs of better times, from smiling waiters to chic women, seem to pop up repeatedly before a visitor moving about the capital.

Mr. Balari can offer numbers to bolster these impressions. Cuban consumers, who chose from among 280 products on the market in 1970, he says, now choose from among 1,300. Part of the explanation, he adds, is an expanding "parallel market," where Cubans who can afford to buy food and consumer goods beyond the rations they are entitled to at subsidized prices.

Housewives in an East Havana market can buy a liter of milk for the equivalent of 30 cents on their ration cards, for example, or put out 95 cents a liter to get some extra after their quota runs out. Mr. Balari calculates that Cubans devote 70 centavos of every peso they spend to such black market purchases, while in 1970 they had to spend 95 centavos per peso on rationed goods.

Ironically, the apparent improvements in everyday life are taking place in the middle of a severe foreign exchange shortage brought on by low sugar prices, poor crops and the refinancing of a \$3.5-billion debt to Western governments and banks. Cuba earns 75 percent of its foreign exchange from sugar exports.

Deputy Foreign Trade Minister Amadeo Blanco says the hard-currency pinch means President Fidel Castro's government is unable to buy all it needs from Western companies, which demand payment in convertible currencies such as dollars or West German Deutsche marks. Although Cuba's trade with soft-currency socialist countries is 82 percent of the total and climbing, restraints on trade with the West mean many desired products are not getting into Cuba.

Mr. Blanco explained, however, that Communist Party directives have made it clear that import cutbacks should come in heavy pro-

duction goods — spare parts or new machinery, for example — rather than consumer goods, such as chemicals for Cuban factories that manufacture paint to refurbish buildings suffering from Caribbean sun and humidity.

In 1983, the offering of all types of products was increased," Mr. Blanco said in an interview. "The population suffered no effect."

The refurbishing is going on in various places. In Old Havana, the Cuban government, in cooperation with the United Nations Educational, Scientific and Cultural Organization, is restoring a neighborhood of 16th, 17th and 18th century buildings and streets, constructing what amounts to a walk-about museum.

When Education Minister José Ramón Fernández Álvarez invites guests for dinner at the Patio restaurant near his office, for example, they enter and leave through an elegant Cathedral Square whose

church front is illuminated at night to show off a restored facade. One of the Spanish townhouses there is about to become the ministry's Museum of Education.

Another refurbishing project is harder to get a tour for. This one is for *pasadas*, little rendezvous spots that resemble motels. Cuban couples, faced with a housing shortage that often obliges them to live with in-laws, go to *pasadas* for privacy they cannot find at home.

Traditionally, *pasadas* have been associated with extramarital fooling around. But the housing shortage means engaged couples and even married couples increasingly are resorting to them for some time alone, a Cuban official said. A recent government report said more than 50 have started up in the Havana area, and they took in about \$12 million in 1983. As a result, the government has been helping managers spruce them up with fans and new furniture.

Security Increased at White House

United Press International

WASHINGTON — Authorities clamped new security measures on the White House Monday, with visitors subjected to metal detectors and searches of their belongings as the Secret Service tightened the protective shield around President Ronald Reagan.

People entering through either of two designated points had brief-

cases, purses and other hand-carried items searched for weapons. Visitors also were required to walk through electronic devices that detect metal.

Officials said the new security steps were unrelated to an incident Thursday in which a man with a sawed-off shotgun was wounded by a Secret Service guard outside the fence ringing the White House.

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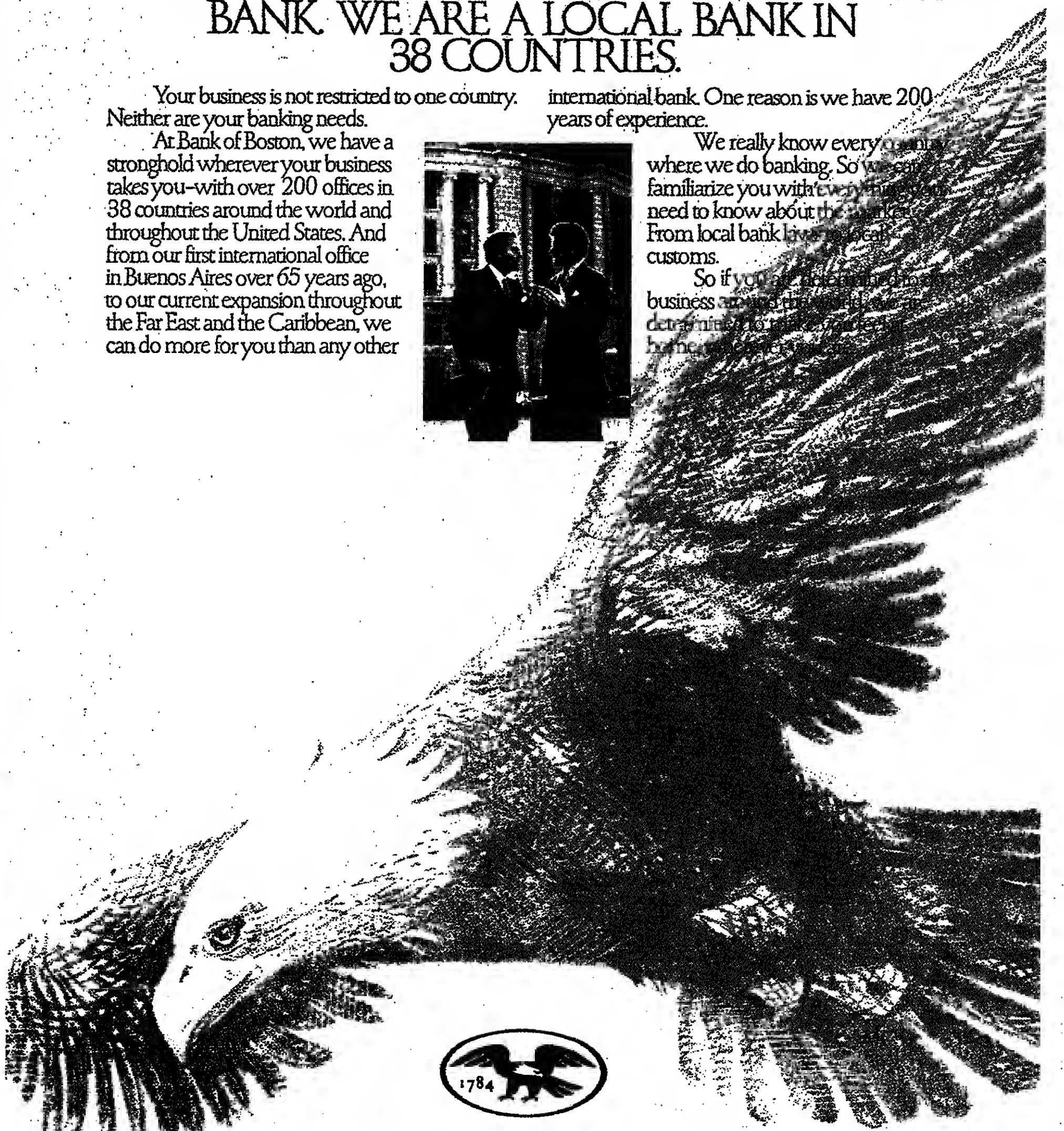
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Peru Lifts Curfew, Says Rebels Are Retreating

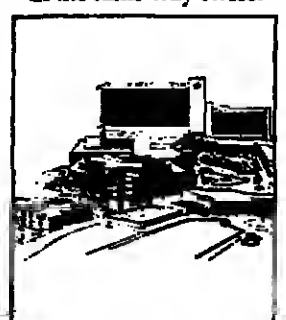
Reuters

LIMA — Military authorities have lifted a 15-month curfew in the city of Ayacucho, the first stronghold of the Shining Path guerrilla group that has been fighting the government for three years.

General Adrian Humana, commander of the area under a state of emergency in 12 of Peru's 19 provinces, said Sunday that the Maoist rebels' activity in the central Andes was under control. "We have dismantled them. They are on the retreat," he said.

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Despite Changes, White House Staff Is Still Not Running Well, Aides Say

By Lou Cannon
and David Hoffman

WASHINGTON — The recently streamlined White House staff, which was supposed to have become a smooth-running machine to help assure President Ronald Reagan's re-election, is still not functioning efficiently, according to administration officials.

"We have serious problems in communications, speechwriting, scheduling and in dealing with [Capitol] Hill," said one official familiar with staff operations. "And we could wind up paying in November for the mistakes we're making now."

The mistakes listed by this official and others, who insisted on anonymity, include scheduling that has failed to make Mr. Reagan more visible while attention is focused on the Democrats, speechwriting that has narrowed his appeal, a breakdown in communication with Republican senators on military aid in Central America, and what one strategist called "a cascade of errors" leaving the Reagan re-election campaign without an advertising director.

In recent weeks, various proposals have been made for Mr. Reagan to broaden his election-year appeal beyond his core conservative constituency. They included a speech to a Democratic audience in Florida, an appearance before working-class voters in Ohio and a speech to a major conservation organization in Georgia. But all these proposals were rejected by the White House staff system without reaching Mr. Reagan.

"We operate under a consensus system where it's easy for one person to veto any proposal and hard to get anything approved," complained one White House official. "It's all handled below the level of the president."

The operations of the White House staff have assumed special significance under Mr. Reagan because he delegates so much decision-making. After three years of

feuds and rival power centers, Mr. Reagan's staff was supposed to have become a harmonious team.

But the national security adviser, William P. Clark, left in head of the Department of the Interior and the presidential counselor, Edwin Meese 3d, was nominated to be attorney general. Mr. Meese's confirmation has been delayed by questions about his financial dealings that are also the subject of a Justice Department investigation.

With the departure of these two figures, the White House chief of staff, James A. Baker 3d, was widely expected to consolidate his control and provide quicker responses in problems. But administration officials, most of them loyal to Mr. Baker, said the staff suffered when Kenneth M. Duberstein, the legislative liaison, Aram Bakshian Jr., a speechwriter, and David R. Gergen, the communications director, left the White House for jobs outside government.

Others question Robert C. McFarlane's effectiveness as national security adviser in place of Mr. Clark. They contend that Mr. McFarlane, while collegial, is too mild-mannered and has failed to resolve conflicts between Secretary of State George P. Shultz and Secretary of Defense Caspar W. Weinberger.

The gap in White House-Senate relations showed up when influential Republican members of the Senate Appropriations Committee were not informed in advance about an administration maneuver to push military aid requests for El Salvador and the U.S.-backed rebels in Nicaragua. The White House blamed the State Department, indirectly calling attention to the diminished role of the national security adviser.

Administration officials also have questioned the performance of two other Reagan aides whose importance has increased in the new staff lineup: Richard G. Darman, a presidential assistant, and the deputy chief of staff, Michael K. Deaver.

Mr. Darman and Mr. Deaver di-

vided Mr. Gergen's responsibilities when he left the White House two months ago. Mr. Deaver took over the communications functions and Mr. Darman became responsible for overseeing the speechwriting operation.

"The speechwriters have been writing about fetal pain and Darman's been busy selling his soul to the right-wingers," said a well-placed administration official who is critical of the strongly ideological tone of Mr. Reagan's recent speeches.

"I'm less interested in ideological categories than I am in results," responded Mr. Darman, a target of conservatives who consider him more liberal than Mr. Reagan.

Mr. Darman often gets results. He has been influential in developing budget and tax strategies and in the bipartisan compromise to solve the immediate financial problems of the Social Security system. However, some colleagues have said his abrasiveness and ego interfere with his effectiveness.

Mr. Darman is more highly respected by his administration colleagues than Mr. Deaver, who has worked for Mr. Reagan for most of the last 17 years and is highly valued by him.

One colleague who professes to think highly of Mr. Deaver said that he is "the most creative person at coming up with gimmicks" and good at "picking the camera angles" for Mr. Reagan's appearances.

Mr. Deaver's colleagues said he avoids "backgrounding," the practice of privately explaining administration policy to reporters, because he has failed to master substantive issues despite his membership on the National Security Council and his freedom to attend White House meetings of his choice.

But Mr. Deaver continues to be the one official in the White House whom others consult if they want to take their case directly to the president.



A MOVING CEREMONY — Bruce Leone, left, and Sharon Johnston-Bonora got their marriage off to a running start by repeating their vows while jogging across a Seattle bridge. The Rev. Cliff McGrath, right, performed the ceremony while running backwards.

Hart and Mondale Records Compared by Opposing Units

United Press International

WASHINGTON — The liberal Americans for Democratic Action and the conservative Americans for Constitutional Action say Gary Hart is more conservative than Walter F. Mondale on economic, social and military issues but more liberal on civil rights.

A comparison of the two congressional voting records for the two leading contenders for the Democratic presidential nomination shows Mr. Mondale scoring higher than Senator Hart among

liberals, especially on economic issues. ADA, a liberal lobbying group that has endorsed Mr. Mondale, gave its candidate a 92-percent lifetime rating. Senator Hart got 79 percent.

The conservative group gave Senator Hart a higher lifetime rating than Mr. Mondale, with Mr. Hart getting 15 percent and Mr. Mondale 3 percent.

The groups monitored Mr. Mondale's votes during his tenure as senator from Minnesota from 1965 to 1976. Senator Hart, of Colorado, has served in the Senate since 1975.

Hart's Congressional Record Shows Defense, Energy Are His Top Issues

By Robert Pear
New York Times Service

WASHINGTON — A review of Senator Gary Hart's congressional record since he became a Colorado senator in 1975 shows that he has consistently been more concerned about national defense and energy than any other issues; that he was speaking out against "big government," warning about the size of the deficit and trying to cut federal spending and taxes before President Ronald Reagan took office, and that his interest in social welfare has been limited mainly in child nutrition programs, of which he has been a staunch defender.

Mr. Hart has voted like most Democrats on most issues. But he has tried to place himself outside "the linear, left-right spectrum" of American politics. He says he is trying to "create third options between the left and right — in defense, in the environment, in the economy" and his record indicates this effort began well before he became a presidential candidate.

In May 1982, he was one of only two Democrats to vote against a \$5.1-billion subsidy program that would have provided mortgages at below-market interest rates for buyers of new homes. Mr. Hart denounced the proposal, saying it "would increase the deficit significantly, set an unfortunate precedent for federal bailouts of economically depressed industries and serve as no more than a Band-Aid for much more serious economic problems."

Mr. Hart has regularly supported proposals to expand protection of civil rights and liberties, but he has not taken a prominent role in debates on these issues. However, he was one of only four senators to vote against the Intelligence Identities Protection Act, a 1982 law that made it a crime to disclose the names of covert intelligence agents and sources.

He endorsed the purpose of the bill but said it did not adequately protect First Amendment rights of free speech and free press.

Following are other highlights of the Colorado senator's record:

• **Reagan Economic Program** — Mr. Hart voiced an early concern about the federal deficit. He offered a comprehensive proposal to cut taxes and spending in 1978. He wanted to reduce personal income tax rates by an average of 20 percent over four years. But, in contrast to the 23-percent across-the-board tax cut adopted in 1981 at Mr. Reagan's request, Mr. Hart wanted to give proportionally bigger tax cuts to people with low incomes.

Mr. Hart also wanted to make the tax cuts contingent on cutbacks in federal spending. Like most other Democratic senators, Mr. Hart helped clear the way for passage of Mr. Reagan's economic program by voting to instruct Senate committees to cut \$37 billion from the federal budget in April 1981. But he supported the bill "reluctantly," and six weeks later he voted against the first budget resolution, which specified the amounts to be cut in various areas.

Mr. Hart objected to the 1981 tax cut because, he said, it was "severely biased toward the wealthy" and was not matched by equivalent cuts in spending.

• **Tax Policy** — Mr. Hart was an early, outspoken advocate of linking tax brackets to inflation. At present, taxpayers whose wages rise with inflation are pushed into higher and higher tax brackets. Congress approved the linkage in 1981, and it is scheduled to take effect in 1985. Mr. Hart introduced bills to require such linkage of tax brackets in 1978 and again in 1979.

Senate Democrats voted against linking tax rates to inflation by more than 2-to-1.

Since 1976, he has offered several proposals to give Congress greater control over tax deductions, exemptions, credits and other preferences. He says that Congress should eliminate the tax deduction for interest paid on money borrowed to finance corporate mergers and acquisitions. Such "corporate takeover games," he says, generally do nothing to enhance productivity.

• **Energy** — Mr. Hart was elected to Congress in 1974, just after the crisis caused by the Arab oil embargo and the quadrupling of oil prices. While the crisis has faded from the memory of many politicians, it still shapes Mr. Hart's outlook on foreign affairs, military strategy and many domestic issues.

In his first two years in the Senate, Mr. Hart sponsored legislation to break up big oil companies. His bill would have removed government-imposed price controls on crude oil, but he wanted to be sure that big companies would not replace the government in determining prices. So his bill would have prohibited the biggest oil producers from holding any interest in facilities used to refine, transport or market oil. He also supported proposals to prohibit the acquisition of coal and uranium interests by major oil and gas companies.

Mr. Hart has frequently railed against big government and big business.

• **Military** — When Mr. Hart arrived in the

Senate, he was known as the manager of George McGovern's 1972 presidential campaign, which had promised an immediate, total withdrawal of American troops from Vietnam. But as a senator, Mr. Hart did not join the small group of lawmakers who routinely criticized the Pentagon and voted to cut the military budget. Rather, he has been a leader of the Military Reform Caucus, a bipartisan group of lawmakers who want to change the fighting philosophy and tactics of the armed forces. He favors a strategy of rapid movement to disrupt the organization of enemy forces.

He has opposed the B-1 bomber, the F-18 fighter plane, the M-1 tank, and chemical weapons, and he led a filibuster last summer in an unsuccessful attempt to block the MX, a mobile intercontinental missile that is to be armed with nuclear warheads.

• **Other Domestic Issues** — In an effort to stave off cuts in the school lunch program, Mr. Hart has proposed reducing the tax deduction for business meals and entertainment to 70 percent from 100 percent of their cost. The savings would be designated for the school lunch program.

Mr. Hart also opposed comprehensive immigration bills that passed the Senate in 1982 and 1983. He said the proposals, strongly supported by the Reagan administration, did not contain enough safeguards to prevent discrimination against minority groups.

Jackson Makes Appeal To U.S. Arab Community

Compiled by Our Staff From Dispatches

WASHINGTON — The Rev. Jesse L. Jackson, proclaiming that "no longer will Arab Americans be locked out," has urged the Arab community to begin flexing its muscle as "an organized political constituency."

The Democratic presidential candidate's remarks Sunday were enthusiastically received by the 1,400 delegates to the American-Arab Anti-Discrimination Committee's national convention. The delegates had sat through three days of meetings on problems of the American Arab community.

After his speech, former Senator James G. Abourezk of South Dakota, the convention chairman, gavelled the proceedings to a close so that he could begin taking pledges for the Jackson campaign. A convention spokesman said there was no immediate estimate on how much was raised.

Mr. Abourezk, national chairman of the American-Arab Anti-Discrimination Committee, said The Washington Post and The New York Times had "taken their best shot" at Mr. Jackson, "tried everything they could — front page editorials, negative news stories, tried to ignore him, and nothing's worked, he's still winning."

Mr. Jackson, who attracted widespread criticism by his recent reference to Jews as "Hymies," was careful throughout his remarks Sunday to balance his overtures to Arab groups with a call for understanding of Jewish issues, emphasizing that blacks, Arabs and Jews would be "equal members" of his so-called Rainbow Coalition.

Just as security is vital to the interests of Israel, Mr. Jackson told the delegates, "so is statehood and security for Palestinians." But Palestinians, he added, must understand "the pain and suffering of the Jewish people as well." Mr. Jack-

son was buoyed by his showing in Saturday's round of state caucuses, declaring that "our faith has been renewed," and adding "this is not a two-man race."

Mr. Jackson received more votes than Walter F. Mondale and Senator Gary Hart in South Carolina's caucuses Saturday and ran a close second in Mississippi.

In Sunday's speech, Mr. Jackson again urged that the United States hold direct talks with the Palestine Liberation Organization, which is not now permitted by U.S. policy.

"Surely, the Jewish community must be challenged to know the pain of the Palestinians. . . . But just as Jews must be helped to know the sufferings of Palestinians, we must challenge the Palestinians to know and understand the fears and the history and suffering of the Jewish people as well," he said.

Mr. Jackson cautioned against "setting up another military state" on the West Bank or Gaza Strip with the creation of a Palestinian state. "A statehood must not be seen as the same as another military garrison," he said.

"We must talk as a nation to both the Israeli government and to the PLO," he said. "We must bring them together for peace."

Mr. Jackson talked with the PLO leader, Yasser Arafat, in a widely publicized meeting five years ago and won the release of a captured U.S. Navy flier, Robert O. Goodman Jr., in January after meeting with President Hafez al-Assad of Syria.

Mr. Jackson said: "There is no military solution to Lebanon's civil war. . . . Lebanon has no need for U.S. weapons, U.S. Marines or one-ton shells from the New Jersey's 16-inch guns." He said Lebanon "needs national reconciliation" and a "new power-sharing formula for its government."

(LAT, WP)

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الحزب من أجل

For Indian Women, Rite of Spring Turns Vicious

Some Males Have Perverted the Festival of Holi Into Sexual Harassment

By William K. Stevens
New York Times Service

NEW DELHI — The sunny green campus of Delhi University looked much like an occupied zone under curfew. Soldiers piled out of trucks and stationed themselves in fives and sixes around the grounds, riot sticks at the ready. Few students were about. Some student hostels looked deserted.

Insurrection? Student riots? No, Eve-teasing. The innocent-sounding term is applied to a widespread and often vicious form of public harassment of women by young men, including — but not limited to — pinching and fondling. Not infrequently, it turns violent.

The practice, indulged in with seeming impunity both by lone men and by gangs, has made riding on buses a dreadful ordeal for many women. Those who study such things say it is just one expression of a broad pattern of oppression of women.

The reason for the security forces at Delhi University is that Saturday was Holi, a basically joyous Hindu festival, a rite of spring that occasions bonfires and bonquets. Men and women throw colored water and colored powder all over each other, much as Lord Krishna and his female followers were supposed to have done in ancient times.

But in recent years, gangs of Eve-teasers have turned Holi into a perverse festival of their own.

Their main targets are universities where there are lots of young women, and in some years they have terrorized entire campuses, stripping young women in public, beating them, humiliating them.

Eve-teasing "is a problem all the time, but Holi is the height of the problem," Ramesh Kumar, a second-year political science student at the university, said.

The presence of force seems to have had an effect. "It was much more active last year," said Miss Kumar's friend Raj Shree Bala. "This year it's pretty quiet."

But Eve-teasing in general shows no signs of going away. "They Walk in Fear," said the headline on a newspaper article about the harassment of women not long ago.

"Men believe they can do anything related to women and get away with it," said a social welfare worker. "It's always going to be that way unless you change attitudes."

Attitudes toward women in India historically place them in a subordinate position. In addition, sociologists say, sexuality is so repressed in many sections of Indian society that reactions such as Eve-teasing are almost guaranteed to take place.

The rush of Indians from farms and villages to the cities, and the loosening of restraint that urban anonymity encourages, is also cited as part of the explanation for a rise in Eve-teasing in recent years.

Eve-teasers pinch, fondle and rub against women, make obscene remarks and gestures, and pull the plaited braid that many young Indian women wear their hair in.

Some of the actions that would seem innocent enough in the West at a Mardi Gras festival, for example, cause great humiliation to women in India.

Public kissing, for example, is taboo. When 17 Eve-teasers in a row kissed a girl on a bus in one incident, it was an extremely serious matter.

Western women sometimes run a greater risk of becoming a target because Western society's reputation for greater sexual permissiveness apparently has led some Indian men to believe that all women from the West are loose.

One American woman found that Eve-teasers tended to withdraw when she challenged them directly with, "What's your problem, buster?"

■ 15 Reported Dead

At least 15 persons were reported Monday to have died in violence during the Holi weekend, Reuters reported from New Delhi.

Four persons were killed in rioting in Calcutta between Hindus and Muslims Sunday and eight died Friday in clashes between landowners and landless laborers, or untouchables, in Bihar state. Three persons died in Maharashtra state during a clash after someone cut down a farmer's tree to start a festival bonfire.



Archbishop John J. O'Connor held up a baseball cap Sunday and explained that George Steinbrenner, owner of the New York Yankees, "was kind enough to send me a Yankees hat to go with my archbishop's mitre."

Archbishop O'Connor Becomes 8th Leader of Catholics in N.Y.

Compiled by Our Staff From Dispatches
NEW YORK — John J. O'Connor was installed as the archbishop of New York in a formal investiture Monday at St. Patrick's Cathedral and said his first public Mass as spiritual leader of New York's 1.8 million Roman Catholics.

About 100 cardinals and bishops, leaders of other religious denominations and political leaders attended the service.

At a succession ceremony on Sunday, about 3,600 nuns, priests, deacons and members of the archdiocesan staff filled St. Patrick's to watch the former bishop of Scranton, Pennsylvania, formally take over as the eighth head of the archdiocese. His predecessor, Cardinal Terence J. Cooke, died in October.

(NYT, UPI)

Journalist's Expulsion Seen as Anti-Deng Move

By Michael Weisskopf
Washington Post Service

BEIJING — Foreign diplomats here believe the recent expulsion from China of the correspondent for a West German news magazine may be part of a larger scheme by conservative security police to discredit Deng Xiaoping's opening to the West.

Tiziano Terzani, Beijing correspondent for Der Spiegel, was stripped of his press credentials March 3 for allegedly smuggling antiquities and defacing a portrait of Mao.

Western diplomats said the charges were a pretext for expelling Mr. Terzani after internal security police failed to uncover evidence of espionage despite 19 hours of tough interrogation, a search of his apartment and office and threats of jail.

The case reportedly was orchestrated by the Ministry of State Security, which was set up in June to investigate espionage. The organization, modeled after the Soviet Union's KGB secret police, is said to contain China's most conservative political forces, xenophobic and authoritarian figures who oppose Western influences and many of the domestic reforms of Mr. Deng, the paramount Chinese leader.

Some Western analysts expect American journalists to be targeted for investigation in the weeks leading up to President Ronald Reagan's planned visit to China next month.

Several American reporters based in Beijing recently have received mysterious telephone calls from Chinese asking for a meeting. In person, the callers have offered to supply classified documents, possession of which by a foreigner is tantamount to espionage in China.

In some cases young Chinese women have called male journalists and suggested meetings at Western hotels here.

A Westerner with ties to the ruling Communist Party has been asked to inform on foreign correspondents based in Beijing, according to a reliable Western source.

Western analysts said journalists have become the main targets of security forces because they lack diplomatic protection.

"A few people in the security field are trying to use these cases to prove that the West is out to undermine China and the Communist system," a Western envoy concluded.

The security ministry is believed to have a free hand in choosing its targets.

Brazil Considers Buying Exocets for Patrol Boats

Reuters

BRASILIA — Brazil is considering buying French Exocet missiles for coastal patrol boats now under construction, a Navy Ministry spokesman said Monday. Brazil already deploys Exocets aboard six of its frigates.

Over the weekend a newspaper report quoted the navy minister, Admiral Maximiano Eduardo da Silva Fonseca, as saying that tests carried out with the Exocets had matched expectations.

targets of investigation. Although the Foreign Ministry accredits foreign correspondents and is responsible for them, it only learned of Mr. Terzani's case when the West German and Italian governments intervened, sources said. Mr. Terzani is an Italian national.

The anti-espionage officers, who worked for the Public Security Bureau before the new ministry was formed, are known to operate undercover with the help of informers and phone taps. According to Chinese sources, they regard all foreign journalists as spies, and normal newsgathering as an effort to uncover state secrets.

Mr. Terzani, 46, was one of the scores of Western journalists who have been permitted to work in China since Mr. Deng inaugurated the open-door policy in 1979. A correspondent who has written critically of the communist system, he often donned Chinese clothes and rode a bicycle at night to meet disaffected Chinese intellectuals. He speaks Chinese.

As Der Spiegel's correspondent in Beijing for four years, Mr. Terzani was respected by many of his colleagues for his reporting on the closed Chinese society. His work habits and critical reporting in the weekly magazine are believed to have aroused suspicion among security police.

Mr. Terzani quietly left of the Chinese capital March 3, nearly a month after police confiscated his passport and detained him for interrogation.

Chinese officials said last week that the journalist had been found in possession of 57 cultural relics, including 23 that are prohibited from being taken out of China.

Foreign Ministry officials were unable to explain why Mr. Terzani had been charged with smuggling items that were never taken from his Beijing apartment.

Giant Pandas Mate at Zoo in Washington

United Press International

WASHINGTON — Ling-Ling the giant panda mated on Monday with her partner Hsing-Hsing for the second time in their 12 years together at Washington's zoo, just months after recovering from a kidney infection.

"We feel fortunate that she made such a good recovery and that she seems to be entirely healthy again," said Dr. Robert Hoag, a zoo spokesman. "It was a natural phenomenon and we are letting nature take its course."

In December, doctors found Ling-Ling suffering from anemia and a severe kidney ailment that was potentially fatal. She was treated with antibiotics and recovered. Zoo officials tried for years to get the pandas to mate after their arrival from China in 1972. They finally consummated their affair last year and Ling-Ling became pregnant, but her cub died three hours after birth last July.

Martial Law in Turkey Eased Before Elections

Reuters

ANKARA — Martial law was relaxed in parts of Turkey on Monday, less than a week before important local elections, for the first time since the September 1980 military coup.

It was lifted completely in the western provinces of Kizilirmak, Bilecik and Kutahya, the southern province of Burdur and the eastern province of Mus. In eight other provinces it was replaced by a state of emergency transferring martial law powers to the civilian provincial governors.

Parliament voted earlier this month to extend martial law in the 54 other provinces for a further four months. The measure was first imposed in several provinces in 1978 amid escalating political violence and was extended throughout the country when the military seized power.

The relaxation came before local elections Sunday in which Prime Minister Turgut Ozal's conservative Motherland Party is facing a strong challenge from parties barred from last year's general elections by the military.

The Motherland Party easily beat two other parties allowed to contest the general elections. The opposition charged it was a false victory because participation was restricted.

The latest opinion poll published Monday in the independent daily Milliyet ranked the Motherland Party in first place for the local elections with 54.5 percent, an increase of just over half a percentage point from its rating in a similar poll last week.

Second was the Social Democratic Party with 26.1 percent, down slightly from its standing last week and third was the rightist True Path Party, up a point to 11.4 percent. Both parties were barred from last year's elections because of their links with parties that have been abolished since the coup.

If the Social Democrats and True Path make inroads into the support of the parliamentary parties in the local elections, in which thousands of officials from city mayors to village chiefs are to be elected, political analysts say pressure will build for early general elections.

Bonn Ban Urged On Ex-Nazi Units

United Press International

BONN — An opposition Social Democrat leader called on the West German authorities Monday to ban all former Nazi veterans' organizations if they continue to hold reunions.

Alfred Emmerich, deputy chairman of the Social Democrat caucus in the Bundestag, said the meetings of veterans of Waffen SS and other crack World War II Nazi units were an insult to democrats.

"They are regularly used for the glorification of militarism, the war and a false military tradition as well as to minimize and whitewash the participation of the SS in war crimes," Mr. Emmerich said.

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ARTS / LEISURE

Androgynous Tide Rolls Off Streets to Runways

By Hebe Dorsey

International Herald Tribune

LONDON — One of the models on the runway had a run in her stockings, another had dust on her miniskirt. But far from being offensive, this was like a breath of fresh air after the overpolished Milan fashions. In London, where fashion still feels like a happening, the best

LONDON FASHION

thing was out the clothes themselves but the authentic spirit behind them — spontaneous, free, eccentric and fun.

London fashion is back with a vengeance, and people are predicting that the '80s will be comparable to the swinging '60s. Lord Snowdon, for one, said: "I think so. Although it's hard to tell when

you're on the inside. The '60s were overemphasized. A lot was going on in the '50s. People forget."

The difference from the '60s is that London, probably tired of being copied right and left, is now showing signs of getting organized. For the first time, more than 200 top British designers showed together, March 16-19, under one roof. This resulted in an interesting combination of established names such as Caroline Charles, Emanuel and Anthony Price, with new young names, who are trying to tap their street fashion talent into serious business. The latter was organized in several groups, including the Individual Clothes Show, Design Studio, Clothes Show Collections, the Exhibitionists and Amalgamated Talent. Steady British designers such as Jean Muir and Zandra Rhodes showed separately. Muir in her showrooms and Rhodes at her home, while Anthony Price showed at a nightclub, The Hippodrome. There, the show off the runway, with waitresses in white tutus, was in a par with the show on the runway.

For the first time, the British industry and government, realizing the talent that is at their doorstep, are also encouraging young designers. Cyril Kern, chairman of the British Fashion Council, said, "Fashion comes in waves. It so happens the wave is moving toward London. So it's given me much easier support than I would have had, say, 10 years ago."

Kern, who owns Reldan, a leading British women's wear company, added, "We've had a recession and we're probably one of the last countries to get out of the recession. So you get much leaner, fitter businesses, you try harder, you look for new design, more creativity to survive." Saying he is very "fashion oriented," he hired Sheridan Barnett a few months ago hoping to turn him into a British Calvin Klein success story.

Four weeks ago, Marks and Spencer launched a new line made by six fashion students, which was "tremendously successful," according to Kern.

Strictly fashion speaking, the most interesting trends to come out of this London weekend were a general cleaning up of the street-fashion look, a burst of fluorescent colors, long skirts in all kinds of shapes and a strong influence of the health-and-fit craze — with long jeans and all kinds of stretch clothes à la Norma Kamali. There was also a distinct firming up of the androgynous look, with girls in boys clothes, but, unlike the '60s, it



Long overcoat on street (left), on runway in design by Anthony Price.



Chris Galt

was not a his-and-hers, unisex look.

The Individual Clothes Show, with about 30 designers showing capsule collections, had a lot of untamed promise plus a weirdness, a bizzariness at which the British are unique. These were not clothes for people who like their fashion all thought out for them. With strange shapes, and even stranger color combinations, this was fashion outland.

Betty Jackson had an interesting and original collection with the accent on anatomically accented jumpuits. Her long, V-necked chemises of black or brown cottons streaked with bold black strokes, had style, as did her Van Dongen hats, circled with dark knit bands. Shoes were heavy brogues topped by socks and striped hose.

Big, baggy pants were held with loose suspenders and belted with heavy brown leather, a rampant trend here.

Bodymap, a favorite with the rock star Boy George, was a delight because both its style and delivery typified the close tie between rock music and fashion. As Malcolm McLaren put it: "In England, fashion and music are synonymous. They go hand in hand. It's all about the streets, the movement in the streets and the way you're going to dance, the way you're going to move and the way you're going to announce yourself. It's all about having a good time." McLaren, who was the partner of Vivienne Westwood in World's End, was the first to integrate fashion and rock music. He is now making a

film about fashion and will come out with his own collection next season.

Hair in London is very much in, both on and off the runway. From wind-blown haystacks or Prince Valiant bobs, creamy-faced, big blue-eyed models had an innocent and terribly British doll look about them. This gave the androgynous clothes the sly, ultra-feminine edge it needs to be really attractive.

On King's Road, where street fashion is still thriving, especially on Saturdays, Body Shop said hair gel with a brochure explaining 20 ways of using it, including the Spike, the Mohican, the Crop, the Crimp, the Bob, the Afro and the Scrumge (this one "tousled and scrunched to give a permanent leapt-out-of-bed look.")

West Germany's 1-Man Band

By Michael Zwerin

BADEN-BADEN, West Germany — Joachim-Ernst Berendt began his radio career by playing Jimmy Lunceford and Benny Goodman records over a German army radio station during the siege of Leningrad in 1943. "I know Leningrad very well," he says. "I looked into it every day for two years."

While he had been drafted into a Panzer division, his father, Ernst, a Lutheran minister, died in Dachau for having been a member of the anti-Nazi resistance. And though Berendt's superior officer thought swing might be good for morale, you could go to jail for listening to the "decadent Negro-Judaic" music, as Goebbels called it, that he was broadcasting to his fellow soldiers.

"It was totally schizophrenic," says Berendt now. "But Glenn Miller was very popular in Germany before the war. I became a jazz fan in 1936, listening to Benny Carter's 'Lazy Afternoon' over Radio Luxembourg. I told this to Benny later, and he hugged me."

One of the most influential, intelligent — and controversial — figures on the international jazz scene, Berendt played a key role in making West Germany a prime jazz market after the war. He has written 21 books on jazz, translated into 16 languages. "The Jazz Book" has sold more than 13 million copies, and he claims, "It is the only book on jazz to have crossed the million mark. As a matter of fact I am 100 percent sure it is also the best-selling book about any kind of music."

The more than 250 record albums he produced include the series "Jazz Meets The World," fusing American jazz with the music of Bali, Japan, India and other countries. He organized the American Folk Blues Festival, which introduced leading U.S. blues artists to European audiences in the '60s. He started the Berlin Jazz Days festival in 1964, and co-founded the Südwestfunk, the Southwest German Radio and Television Network in 1945, which he calls "one of the great miracles of my life."

Born in 1921 in Berlin, he built a primitive transmitting apparatus at home at the age of 15, broadcasting to family and friends in other rooms. He wanted to work in radio, but after being wounded and finally making his way to Baden-Baden after the war to take care of family affairs, survival was more on his mind than a career.

He was hired by the French occupation forces as "combination porter, forer, translator and refugee processor. They were happy to find someone from an anti-Nazi



Joachim-Ernst Berendt

family to work for them. One day, just like that, an information officer asked me if I wanted to help them start a radio station. I don't know why he asked me. I had never talked to him about radio. I tell you, it was a miracle."

Starting with a few hours of general programming a week from a mobile unit once used for Nazi propaganda, Berendt helped build the SWF into one of Germany's major broadcasting organizations. He used his co-founder power to program more jazz than any other German TV or radio station.

"We were the spearhead," he says. "Radio can educate people. The availability of the music created the interest. We promoted concerts, sponsored contests for amateur musicians. We were the first to play bebop. The other stations were against bebop at first and then jumped on the bandwagon. I always played Lenny Tristano, Ornette Coleman, the Art Ensemble of Chicago, before anybody. Before they were known in America, the Art Ensemble gave a concert in Baden-Baden. I do not make compromises."

Although few question his devotion and accomplishments, Berendt has an abrasive side. "He opened many doors, but eventually lost his sense of balance, thinking: 'I am the first, the greatest, the only.' A record producer in Hamburg said, 'He genuinely believes he invented European jazz,'" commented a radio executive in Berlin.

There was a vitriolic exchange of letters in the German press between Berendt and his successor as director of the Berlin Jazztage, Swiss keyboardist and composer George Gruntz. Berendt brought up this subject without prompting. Seated in his tastefully furnished house on a hill in a suburb of this historic spa, he seemed subdued, genuinely perplexed.

"Gruntz owes me the best job he

ever had in his life. When I decided to leave I used all my power to get him hired. Everybody in Germany said the new director should be German. But I said it should be a musician and Gruntz is one of the only musicians I know who writes letters and keeps files and returns calls. And as soon as he took over, he turned against me in a violent manner. I don't understand, he seems to hate me. I never saw anything like it."

Berendt's most recent book, actually a 24-page booklet, "Nada Brahma — The World Is Sound," published last fall, has nothing to do with jazz. "Nada means 'sound' in Sanskrit," he explains. "Brahma is a Hindu God. But the book is not about India. Whatever is written about far away people and ancient times is equivalent — if understood correctly — with the findings of modern science: cosmologically, morphologically, biologically, mythologically, harmonically and astrophysically. What I try to prove is that the world is made of sound on spiritual and scientific grounds."

He writes about Tibetan monks who can sing an entire chord by themselves, about pulsars that sound like bongo drums and castanets, about the sound of the sea and spheres. "Recent experiments have made the sounds of the planets audible. Mercury makes a quick, busy, chirping sound. Mars slides several notes up and down. Saturn trembles, deep and scary. The eight protons of oxygen form, in their different energetic levels, a C-major scale."

"Musical sounds are created by the friction between the solar wind and the earth's magnetic field. Photosynthesis occurs in a harmonic progression. Myths and legends which tell that the world begins with sound can be found in many cultures — Aztec, Eskimo, Persian and Indian, for example. The psalmist David composed a verse which includes the lines: 'Sing unto the lord a new song. . . . Let them praise his name in the dance; Let them sing praises unto him with the timbral and the harp; Praise him with the sound of the trumpet; Praise him with the psalter and the harp. . . . Praise him with the stringed instruments and organs; Praise him upon the loud cymbals.'"

"Since God created the world by sound, all music refers to God and therefore all music is first and foremost a praise of God."

Joachim-Ernst Berendt will narrate a series of lectures on "The World Is Sound," with actors, musicians and recorded illustrations: East Berlin, April 1; West Berlin, April 2; Cologne, April 3; Hamburg, April 4; Ludwigschafen, April 5; Munich, April 10.

NYSE Most Actives				
	Vol.	High	Low	Close
GOVCO	1772	72 3/4	71	72 1/4
Wm	1772	72 3/4	71	72 1/4
AT&T	1772	22 1/2	21	22 1/4
IBM	1681	123 1/2	123	123 1/4
DISC	1681	123 1/2	123	123 1/4
PRIME	1681	123 1/2	123	123 1/4
AMR Co	648	33 1/2	33 1/4	33 1/2
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MEMBERS OF ALL PRINCIPAL SECURITY, OPTION
AND COMMODITY EXCHANGES.

هك زامن لاجل

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In producing a substantial healthier trade balance, East Germany has deepened industrial and financial contacts with West Germany, with which it does nearly two-thirds of its total Western trade.

West German purchasing officials tend to balk at East German bureaucracy, which slows delivery of goods, and at the shoddy quality of goods. But competitive pricing of transport routes and multimodal transport norms offset the drawbacks.

But the agreements just announced illustrate the efforts to develop new kinds of cooperation.

Many German industrialists say the next step will be cooperation in third markets. Siemens has already teamed with East German partners in selling electric rail cars in Gaoze.

1973.8					
1973.8	89.25	Sep	94.60	94.60	92.18
1973.8	90.00	Dec	94.60	94.60	92.18
1973.8	90.00	Mar	94.60	94.60	92.18
1973.8	92.00	Jun	94.60	94.60	92.18
1973.8	94.00	Nov	94.60	94.60	92.18
Prev. Day Open Int.	11,234				

Est. Sales Prev. Sales 17248

Commodity Indexes

	Close	Previous
Moody's	1,075.20 f	1,075.20
Ruters	1,991.50	1,985.00
D.J. Futures	143.01	142.51

Moody's : base 100 : Dec. 31, 1931.
Ruters : preliminary f - final
Ruters : base 100 : Sep. 18, 1931.
Dow Jones : base 100 : Dec. 31, 1914.

Market Guide

CITY:	Chicago Board of Trade
NYMEX:	Chicago Mercantile Exchange
INAME:	International Monetary Market
COMMERCE:	Chicago Mercantile Exchange
AMERICAN:	New York Cacao, Sugar, Coffee Exchanges
COMMODITY:	Commodity Exchange, New York
NEW YORK:	New York Mercantile Exchange
KANSAS CITY:	Kansas City Board of Trade
WYOMING:	New York Futures Exchange

March 19

March 19

Cash Prices

Cash Prices March 15

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MEX Highs-Lows March 1-

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Bill Ind
Red El
McCull 4

NEW LOWS 13

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GE of	PopuPetr n	Santach

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JAPAN

A SPECIAL ECONOMIC REPORT — PART II

TUESDAY, MARCH 20, 1984

Part I Appeared
In Yesterday's Editions

Page 13

Yen Expected To Strengthen Against Dollar

By James S. Altschul

TOKYO — Experts generally agree that the yen will strengthen moderately against the dollar and European currencies in the next few months. At the same time, they do not predict any upheaval on the foreign-exchange markets.

"I think, for a change the consensus is right. But I don't see anything dramatic. The Asian market as a whole is very stable," said Gary Gray, vice president and manager of the resources management department at Bankers Trust's Tokyo branch. Most forecasts put the yen at about 225 to the dollar by summer.

Mr. Gray cited three factors that should cause a gradual appreciation of the yen — an election year in the United States will make some investors nervous about holding dollar assets; capital has been flowing into Japan at a healthy clip (January's figures set a record), and the Japanese are showing somewhat less interest in acquiring dollars.

"I'm not saying the capital outflow out of Japan won't continue," he said. But it won't be quite enough to offset Japan's mammoth current-account surplus.

Mr. Gray believes that dollar interest rates will remain stable this year — even more steady than they were last year, although there may be some upward pressure on short-term rates toward the middle of the year. "The growth of the economy will have more of an impact on tax receipts than people are projecting," he said. He predicts a U.S. budget deficit of \$165 billion or \$170 billion, instead of the \$180 billion most observers anticipate. There may, however, be a little more loan demand in the United States during the second half of this year.

Peter Skorpil, vice president and Japan treasurer at Citibank, also foresees a drop in the dollar to the 225-yen level by June — but because he thinks that U.S. interest rates will decline somewhat. He does, however, hedge this prediction, because he is not sure which way the U.S. economy is heading.

Referring to the U.S. Federal Reserve Bank, he said, "It's quite clear that the Fed doesn't know either. I think, like everyone else, the Fed is waiting to see what happens."

Mr. Skorpil believes that the Fed's actions hinge on what economic picture develops. "It is clear that the Fed has become less monetarist over the past year or so than it was between 1978 and 1982. So there's no knee-jerk reaction by the Fed to wide swings in the weekly money supply," he said. He thinks that if the economy appears to weaken, the Fed will ease up a little. If the economy continues to grow at a pace of 4 to 6 percent, the Fed will stay neutral. And if the economy seems to be heating up, the Fed will gently apply the brakes.

"If I have to be pinned to a forecast, I would see a continuing modest slowdown in the economy, a decline in interest rates, and a weaker dollar as a result," Mr. Skorpil said. He puts the dollar's value at 225 yen and 250 Deutsche marks in June. Other people have been talking about different influences on the dollar's value, especially the U.S. trade and budget deficits. "But of course, these factors were with us a while back," Mr. Skorpil pointed out.

"I really don't want to characterize this as a dramatically weaker dollar, but as an adjustment," he said. He quickly added an important caveat: President Ronald Reagan's conservative policies have been good for the dollar. If a perception developed that a Democrat would win, the dollar would weaken dramatically.

Most Japanese forecasters place the dollar at an average rate of 225 yen to 230 yen during fiscal 1984, which begins on April 1. Seiya Nakajima, an economist at C. Itoh, the giant Japanese trading house, disagreed. He predicts a dip in the dollar's value during the second quarter of this year, because of a drop in the U.S. Treasury's cash needs to about \$40 billion from \$52 billion this quarter. And U.S. economic growth will slacken somewhat. Consequently, U.S. interest rates will drop by half a point in the second quarter.

But Mr. Nakajima believes that the dollar will spend most of 1984 in the 230-235 yen range. He listed three reasons. "Interest rates are still the monstrous factor in the determination of the dollar's value against other currencies," he said. Mr. Nakajima thinks that while the Fed may expand the money supply in the short term, it will preserve "monetary discipline" over the long haul.

Secondly, Mr. Nakajima pointed to the U.S. economy. Lags in some statistics, such as those for housing starts, do not worry him. He is impressed by the strength of private fixed investments, which grew at a rate of more than 20 percent in the fourth quarter of 1983. A Commerce Department survey indicated that business intends to increase fixed investment by 9.3 percent in real terms. "So long as private fixed investment is strong, the recovery will not stall," Mr. Nakajima said.

Mr. Nakajima predicts a U.S. budget deficit in the range of \$180 to \$190 billion. The combination of tight money, healthy growth and a gaping budget deficit will keep U.S. interest rates high, he said. As a result, the dollar will remain strong. Moreover, Japanese life insurance companies remain eager to buy foreign bonds, and the bulk of their purchases are dollar-denominated. Mr. Nakajima maintained that the capital outflow from Japan will offset its current-account surplus.

Finally, Mr. Nakajima felt that the international monetary crisis, which is currently in abeyance, may flare up toward the end of the year. Brazil and Mexico cannot keep harsh economic policies forever, he said. A recurrence of debt problems will help boost the dollar.

Experts agree that the yen will appreciate against major currencies, primarily because the Japanese economy is more robust than those in Europe. "Germany has been perceived as relatively weak. The bloom is off the rose," Mr. Skorpil said. "The German people are moving to the left. That makes capital flight almost inevitable. Money doesn't stay in countries of the left. Like it or not, it's a fact of life." There is much more concern about Germany's political stability than there used to be, he added.

Consequently, there have been some shifts of short-term capital out of Germany, and investment in Germany has declined. The bulk of the money leaving Europe has gone to the United States, but a good portion has headed for Japan. The yen has risen dramatically against European currencies.

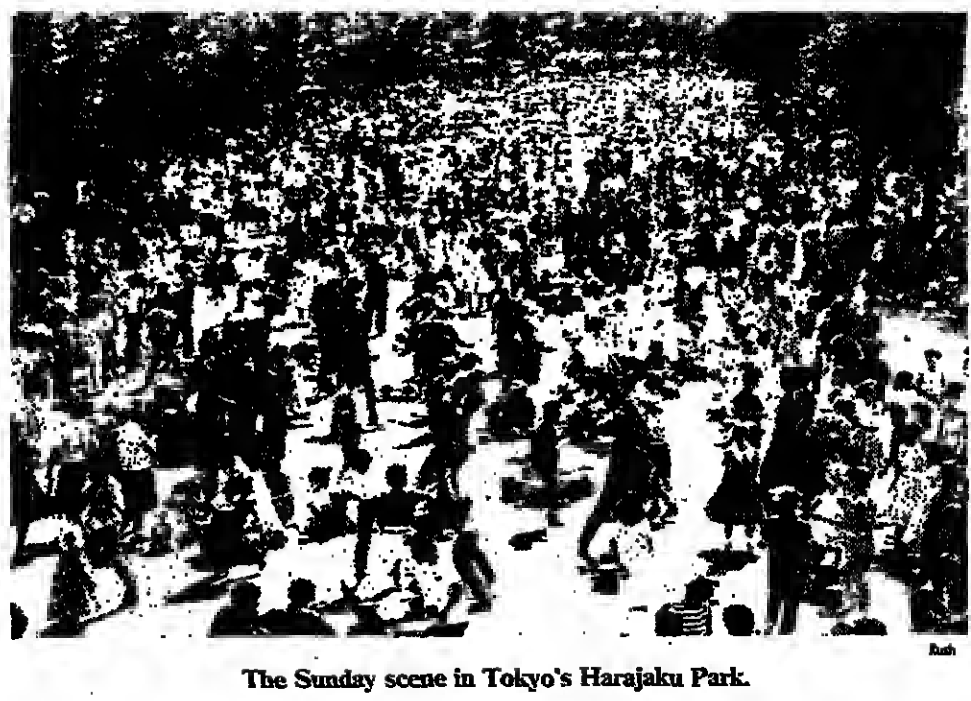
(Continued on Page 16)



The Sanno Festival in Tokyo brings out traditional dress.



Japanese relaxing on the river banks in Kyoto.



The Sunday scene in Tokyo's Harajuku Park.

International Lending: Japanese Banks Show Surprising New Strength

Special to the IHT

TOKYO — Japan as a world leader is a familiar enough theme in industrial and trading circles. But in international banking?

Surely not — not when the top five banks in international bank lending last year were Bank of America, Bankers Trust, Citicorp, Britain's National Westminster Bank and Chase Manhattan Bank. Each led managed a greater volume of syndicated loans than Japan's specialist foreign-exchange bank, Bank of Tokyo.

Japanese houses would seem to be outclassed in the international bond markets as well — an area of business dominated by Credit Suisse First Boston and Deutsche Bank, with Merrill Lynch, S.G. Warburg and Morgan Guaranty following them. The biggest of Japan's big four securities houses, Nomura Securities, ranked no higher than ninth in international bond lead management in 1983.

Yet, to the surprise of everyone except the Japanese banks themselves, when the statistics were published for Euromarket activity during the second half of 1983, Japan's banks were found to have risen to the top.

The Bank of England collects information on the nonsterling business of banks in London — by far the largest part of Euromarket activity. According to the bank's statistics for the second half of 1983, Japanese banks were found to have 27 percent of the market's assets — ahead of the 22 percent held by the London branches of U.S. banks, or the 20-percent share held by British banks.

The recent scale of Japanese banks' international lending has been confirmed by estimates released by the Japanese Ministry of Finance at the end of last year. On the ministry's reckoning, Japanese banks had extended \$108 billion in overseas loans at mid-1983 — a \$16-billion, or 17-percent, increase on the \$92 billion outstanding a year earlier.

The Japanese banks were able to wrest the lead spot from the U.S. banks because they have gone against the trend of international lending. Over the last year, banks in general have been pulling out of syndicated credits as fast as their burned fingers will allow. The international loan market has been shrinking. In 1983 new loans worth some \$150 billion were extended through the Euromarkets, but in 1982 the volume of new lending fell to between \$90 billion and \$100 billion (both years' figures exclude rescheduling of loans to countries in arrears or in default). Because the market as a whole was contracting by about one-third, the increased activity of the Japanese banks shot them up to top place.

Other countries' banks have been reducing their lending, and they have also tried to reduce their exposure overseas by cutting back the length of time their funds are at risk. Here, too, Japanese banks have gone against the prevailing banking wisdom. Of the \$16 billion of new loans made by Japanese banks overseas in the year to mid-1983, \$14 billion, or almost 90 percent, was lent for a year or more and only \$2 billion for less than a year.

The Japanese banks' takeover of the syndicated-loan market went largely unnoticed before the publication of the Bank of England's statistics for two reasons.

One is that Japanese banks tend not to figure in the glamorous reaches of the league tables — the rankings of international banks compiled by banking industry newsletters and by the research departments of some of the leading banks. The league tables generally focus on the wheel-dealers of the Euromarkets — the mandate winners, the lead managers, the syndicators, the agents. But Japanese banks are generally to be

found among the more lowly reaches — the managers, co-managers and participants in international credits. Counting lead managers would give a list of U.S., U.K. and German banks; counting the funds provided would give a more accurate picture of the dominance of Japanese banks.

A second reason is that a substantial portion of Japanese banks' lending is done in yen in Tokyo — a market that is not well covered by overseas analysts. The yen-dominated syndicated-loan market currently provides about \$5 billion worth of new loans a year, equivalent to about one-third of all new lending by Japanese banks.

Why are the expanding Japanese banks so much out of line with their retreating colleagues overseas? It is certainly not because the Japanese banks have found the secret of country risk analysis and, hence, can identify creditworthy customers that other banks would prefer to avoid. On the contrary — the Japanese banks' record in avoiding countries with payment problems is no better than the performance of other countries' banks. Collectively, the Japanese banks have extended about \$30 billion to countries in payment difficulties, an amount that comes to more than a quarter of their total portfolio of overseas loans. They have lent about \$10 billion to Mexico, putting them second only to U.S. banks among the country's creditors. They have about \$7.5 billion out to Brazil, and about \$4 billion each to Venezuela and Argentina. More by luck than good judgment, Japanese banks' exposure to Eastern Europe is relatively low, because Japanese trade links with the area are few and the banks' provision of trade and project finance correspondingly slight.

Rather, the reason the Japanese banks have turned to the international loan market seems to be the relatively poor outlook they face in their domestic market. The international markets offer scope for rapid asset accumulation in the future; the domestic markets do not.

In the past, Japanese banks were guaranteed a steady demand for funds from Japanese firms. The banks were monopoly suppliers of finance for capital spending and corporate borrowers were not able to generate enough funds internally to pay their own way.

Neither factor holds true today. Borrowers do not need the banks to the same extent, and there is much greater competition for corporate customers from other financial institutions, such as securities houses and leasing companies, and from overseas markets. Japanese companies can offer commercial paper in the United States, but not in Japan. They can arrange bond issues, convertible or straight, more quickly, more cheaply and more conveniently in Zurich than in Tokyo. As deregulation of financial markets proceeds in Japan, the banks increasingly expect to be net losers much as U.S. banks have been battered by U.S. securities houses during the same process.

For a Japanese bank the choice is simple — export or stagnate. Given that choice, no Japanese company will sit around bemoaning its lot. What was seen in the international loan market in 1983 is just the start of a major expansion by Japanese banks. They have the funds to lend because they have excess deposits, compared to the lukewarm demand for loans within Japan, and they are at a competitive advantage in raising funds through the interbank markets. New-issue pricing for recent Japanese bank issues of floating-rate notes and certificates of deposit shows that the markets — if not the ratings agencies — see the Japanese banks as first-class institutions.

The forthcoming wave of Japanese bank lending

(Continued on Page 16)

New Data Bank Is Aimed at Countering Lending Risks Abroad

Special to the IHT

TOKYO — One of the oddest benefits of the wave of international debt rescheduling is to be found in an Akasaka office, 17 floors over Tokyo's No. 3 expressway.

The men are doing the office work.

That may not be a remarkable state of affairs anywhere else, but in Japan it is unheard of for the men to type or file. That is women's work — suitable only for old, as Japan's office ladies are known. Clad in the company uniform, they make the tea, do the office chores and retire, sometimes compulsorily, on marriage to leave the senior management ladder for the men to climb.

At the Japan Center for International Finance, however, things are done differently.

"Everyone here has had to learn to use the data terminals," said Akira Kondo, director of the cen-

ter's data bank department. For the first time in their lives, the center's 60 economists — bright young officers seconded from government and the leading commercial banks — have sat in front of keyboards and video terminals and learned to store and retrieve information.

The center is an ambitious attempt to upgrade Japan's ability to read the risks of international lending. In the process, the rigid sexual hierarchy of employment has had to bend to the pressure of time and updating information on 104 countries and on all of the world's major money and capital markets.

The center was formally established in March last year but its roots go back to the autumn 1982 meeting of the International Monetary Fund in Toronto. Japanese bankers who had expected the usual round of parties, formal speeches and discreet dealmaking were

shocked to find that the meeting centered on Mexico's default.

The Japanese bankers were further shocked to find themselves Mexico's second biggest creditors, after U.S. banks, and they came back to Japan determined to find a better way of analyzing country risk.

Their answer was to club together to set up the center. It was sponsored by 50 of the country's top financial institutions — the 13 city banks, the three long-term credit banks, the seven trust banks, eight of the biggest regional banks, 14 of the largest insurance companies, the big four securities firms and the agricultural cooperatives' Norin Chukin bank. The sponsors provided the center's capital of 1.6 billion yen and they also agreed to pay the salaries of staff seconded to the center.

The new institute was given semi-governmental

standing through the backing of "seconding" institutions — the Ministry of Finance, the Bank of Japan, the Japan Development Bank, the Export-Import Bank and the small businesses' Shoko Chukin Bank. The center's semi-official status was underlined by the appointments of its two senior officials — as president, Kichi Watanabe, previously vice minister of finance for international affairs at the Ministry of Finance, and as deputy president Shoji Ochi, formerly an auditor at the Bank of Japan.

Because of its official links, the center expects to have access to the work of other official institutions — notably the International Monetary Fund and the World Bank. From April 1 the center will open an office in Washington to increase its contacts with the fund, the bank, U.S. government agencies and its

(Continued on Page 14)

Financial Markets: New Moves Toward Internationalization

TOKYO — Bankers here agree that the package designed to further open the Japanese financial markets will not, in and of itself, dramatically alter the financial climate in Japan. But they see these measures as an important harbinger of and prelude to additional liberalization and internationalization of the Japanese financial system.

"In terms of the impact on Japanese corporate financings at the initial stages, there may be very little; but this is another step toward liberalizing Japanese practice in the domestic market," said Takuma Amano, managing director and head of First Boston's and Credit Suisse First Boston's operations in Japan.

Of the eight measures announced by the Japanese and U.S. governments at the end of President Ronald Reagan's visit to Japan last November, industry officials focused on two as having the greatest influence: the granting of permission for Japanese corporations to engage in currency swap transactions and the abolition of the real demand rule for forward foreign exchange contracts. The other six consist of promises to investigate certain topics (the outcome of these studies remains uncertain) and reforms that are so minor that they will have a minimal impact.

Permission to Japanese companies to participate in currency swaps will, like most of the other measures, come into effect on April 1. Until now, only Japanese government agencies have been authorized to engage in currency swaps. The government allowed banks to do interest-rate swaps and gave the nod when Mitsubi-

shi Corp., the giant trading house, wanted to enter into one.

Securities industry executives see a good deal of interest on the part of Japanese corporations in swaps. "Currency swaps are a new financing technique for Japanese corporations," Mr. Amano said. They will enable Japanese firms to get yen financing at lower costs. "There will certainly be increasing possibilities for Japanese companies to diversify their financing," said Morimasa Yamada, a managing director at Nomura Securities. "Using these swapping techniques, Japanese corporations will be able to have more choices of yen financing. Of course, currency swaps will depend to some extent on whether we can find the counterparty."

The scrapping of the real demand rule will lead to more foreign-exchange activity, bankers agree. The real demand rule stipulated that forward foreign exchange contracts had to be based on real commercial transactions. Robert Binney, vice president and general manager of Chase Manhattan's Tokyo branch, believes that the abolition of this requirement will give Japanese corporations more flexibility. "I think it provides us with more customers, more transactions, more volume of business and, hopefully, more profit," he said. He forecast that, over the long term, the elimination of this rule will generate more foreign-exchange business in Tokyo and that Tokyo will become a more important financial center.

A third item on the list announced last November,

relaxation of the regulations concerning Euroyen, will probably fall short of its considerable potential, at least in the short term, because of various restrictions the government is likely to impose. Currently, only supranational agencies and certain sovereigns may float Euroyen bonds. In the November communiqué, the Japanese government promised to allow Japanese corporations and government entities to tap this market. At present, the Ministry of Finance is discussing the subject with banks and securities company officials. Industry sources believe that the ministry will allow only a small number of Japanese corporations, those with the highest credit ratings, to issue Euroyen bonds.

Two sticky issues remain to be resolved: the questions of collateral and withholding tax. With the exception of the issues of the most creditworthy firms, Japanese domestic corporate bonds include mortgages. Overseas offerings by Japanese companies generally come with bank guarantees.

The Ministry of Finance has not yet revealed whether it will require collateral on Euroyen issues. "We understand that the Ministry of Finance is caught in the middle between Japanese banks and securities companies," First Boston's Mr. Amano said. Banks seek an extension of the collateral requirement to the Euroyen bond market, but securities companies don't want it. Banks feel strongly about the matter because most of their domestic lending is collateralized.

The second question involves the imposition of

withholding tax on Euroyen offerings. A promise to study this question was one of the points in the November package. Again, the Ministry of Finance has not formally released an opinion. But industry sources think it is likely that the ministry will insist on the assessment of withholding tax on Japanese Euroyen issues. The ministry's Tax Bureau is adamant about the matter, industry officials said. If the bureau gets its way, Euroyen bonds will lose much of their attractiveness, since Eurobonds ordinarily are not subject to any withholding tax. Consequently, the prospects for the Euroyen market do not appear rosy at the moment. Mr. Amano, however, predicted that a limited number of non-Japanese companies will be allowed to tap the Euroyen bond market within a year.

The outcome of a fifth item on the list, a pledge to look into the establishment of a yen Bankers' Acceptances market, also remains uncertain. Both the Japanese government and the financial community are divided on this issue. The Bank of Tokyo is pressing for the introduction of a yen Bankers' Acceptances market, but the Bank of Japan and some major banks are opposed, and the Ministry of Finance is undecided.

An advisory council to the Ministry of Finance, composed of outside experts, is studying the matter. "So far in the discussions held in that council, there were both pros and cons. I myself hope that they will come up with an encouraging note. But I cannot be too

(Continued on Page 15)



The Tokyo Stock Exchange. Article appears inside.

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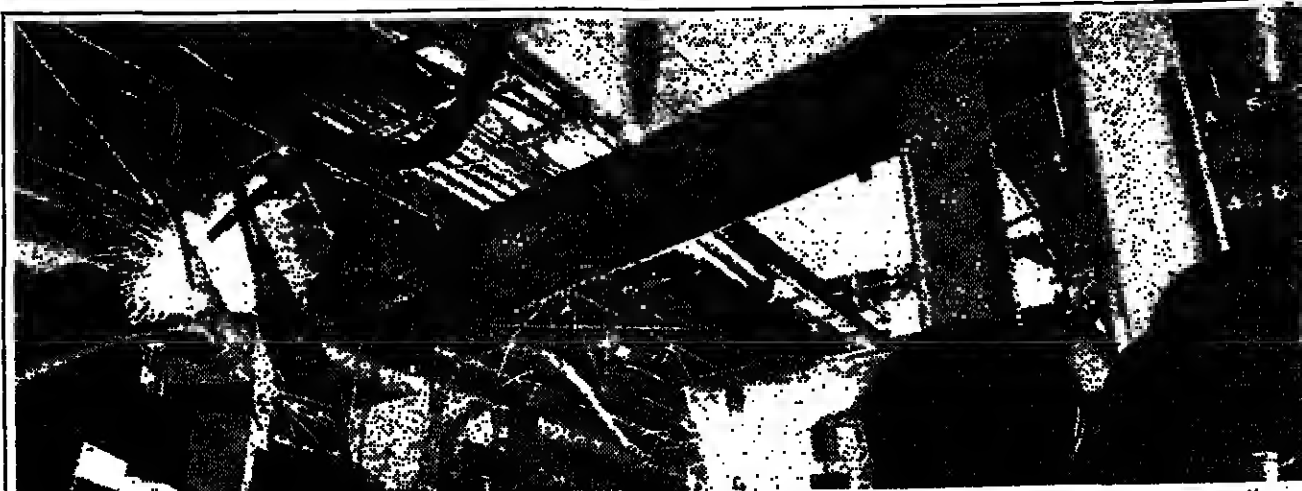
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JAPAN



Robots weld motorcycles in a Suzuki factory.

Learning International Ways at Yamato

By Robert Y. Horiguchi

YAMATO — Last April, the International University of Japan opened its doors with a curriculum aimed at teaching future executives how to function in an international arena that has become crucial to Japan's economic advance.

Next month, the university will observe its first anniversary. Until that time, the institution has gone into hibernation, its 158-acre (63.2-hectare) campus smothered under a 10-foot-deep (3-meter) blanket of snow, its faculty and most of its students having made a seasonal exodus to less rugged climates during the winter break.

Located about 100 miles (160 kilometers) northwest of Tokyo, in the rural countryside of Honshu, the main Japanese island, the International University of Japan is unique in many respects.

It is the only institution of its academic level in the country where courses are given in English, not Japanese and is the only school in Japan where a master's degree can be acquired by submitting a thesis in English.

It probably has the smallest student body of any university, with a current enrollment of 57 men and women from 10 different countries.

It has been endowed by 800 Japanese businesses that have pledged the equivalent of \$34 million toward its establishment and operation.

To Sohei Nakayama, a leading figure in Tokyo's world of finance who is the chairman of the university's board of trustees, its purpose is "to assist young people who will later assume responsibility in public organizations and private companies in a complex and rapidly changing environment."

"Such young people," he said, "should have sufficient knowledge of international politics, international economics and international management as well as the ability to analyze challenging situations."

To this, Saburo Okita, an economist and a former minister for foreign affairs, who is the university's president, added: "What future

generations must obtain is not a fragmentary knowledge of the world but a global perspective supported by an acute awareness of international communities and the complex relations that exist among them. Such perspectives can be cultivated only in an environment where young people from all over the world can study, discuss and live together."

It is such an environment that is provided at Yamato by a complex of elegant glass-and-concrete buildings housing modern facilities for study and recreation. These constitute an investment of about \$23.4 million. The land on which they stand was donated jointly by Niigata Prefecture and the Yamato township, a farming community of 17,000 inhabitants.

Enrolled in the school's first year of operation are 44 Japanese university graduates, 33 of whom are sponsored by the companies that employ them. Their average age is 26. Each of them costs these corporations 800,000 yen (\$3,400) in tuition fees annually in addition to dormitory charges that run from 70,000 yen to 80,000 yen a month.

The 16 foreign students have come from Africa, Asia and America, having been awarded scholarships by Japanese foundations, service clubs such as the Rotarians, and the university itself. This group includes 10 women but there is only one Japanese female student.

The faculty consists of 31 Japanese and foreign professors and lecturers, in addition to the same number of associate teachers. A large number of these are specialists and outstanding figures in Japan's academic world.

Beginning with a number of basic courses that form the foundation for advanced studies, the university's curriculum consists of courses in international politics, international economics and area studies covering Japan, east and south-east Asia and the Middle East.

Heavy emphasis is put on language studies, and students are required to take more than one language course. Foreign students have to learn Japanese. Proficiency in English is required for admission.

After successfully completing two years of

study and winning approval of their theses, graduates are awarded the degree of master of arts in international relations.

The school attaches as much importance to field research as it does to languages. Students are required to investigate the social, cultural and political conditions in the country of their particular interest after finding, on their own, funding sources for such studies.

While most of the Japanese students are devoting the January-to-March winter break to field trips abroad, the foreigners are remaining at Yamato to undergo four hours a day of intensive study of Japanese so that they will be able to do field research in Japan.

"Our aim is to develop professionals in international relations," Ku Tashiro, the university's secretary-general, said in an interview. "Professionals in the sense that physicians and lawyers are professionals."

A former senior Japanese government official, Mr. Tashiro spent four years in Rome at the headquarters of the United Nations Food and Agricultural Organization.

"We are planning to enroll this year some 40 Japanese and 20 foreigners. Among the latter will be civil servants and bank employees," he added. "Our ultimate objective is to have a student body evenly divided between Japanese and foreign nationals. And we hope to see eventually some Europeans sponsored by their governments, coming to study here."

"Out of the 16 foreigners now enrolled," he remarked, "the majority having come from Third World countries, have seen snow for the first time in their lives. But their acclimatization process has been smooth. A number of them have learned to ski."

The university has launched a program for the "adoption" of foreign students by local families with the double objective of facilitating their field studies through contacts with neighboring communities and at the same time lessening the student's sense of isolation.

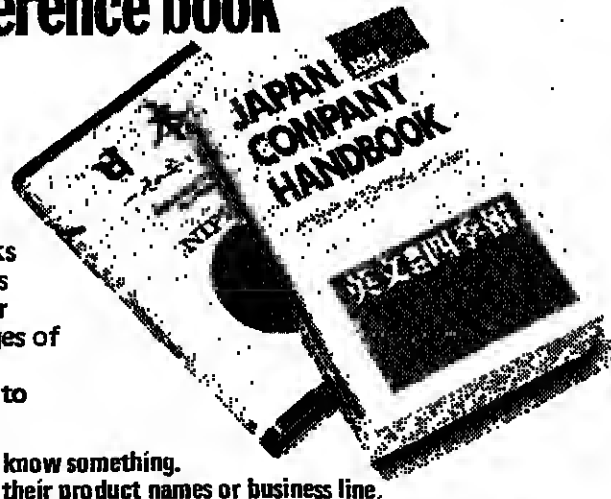
The town of Yamato has no recreational facilities and the nearest city with a movie theater where foreign films are shown is 10 miles (16 kilometers) away.

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Teaching Risks of International Lending

(Continued From Page 13)

American counterpart, the Institute for International Finance. The center has attracted 202 members, whose annual subscription fees pay the expenses not covered by the 50 sponsors. Half of the members are banks. The rest are insurance companies, large industrial companies, trading houses, stockbrokers and leasing firms. Membership is open to the Japanese offices of foreign banks or manufacturers, although they are likely to be put off by the language barrier. Virtually all of the center's output is in Japanese, since one of the institute's objectives is to provide more analysis of international affairs in Japanese. The center's staff translates Morgan Guaranty's World Financial Markets each month and is planning to translate articles from the leading international financial magazines.

The core of the center's services is its data bank, which holds both statistics and text on the economies of 104 countries. Members can call up data from the bank or read the center's country reports and market reports through an on-line computer system, the Demos network run by Nippon Telegraph and Telephone. They can also consult a file of newspaper and magazine articles on international finance and have copies faxed to them.

As well as collecting data to enable its members and sponsors to make better country risk judgments, the center is also busy studying new ways of measuring country risk and is prepared to give what its staff calls "qualitative" advice on the economic prospects of problematic countries, based on the frequent visits of its staff to overseas countries. In March, for example, Mr. Watanabe had just returned from visits to Manila and Jakarta, and Mr. Ochi from the Middle East and Algeria.

That kind of on-the-spot reporting is the most valuable part of the center's services to date. A lot of the information in the data bank is hard to find in any good almanac, useful for some purposes but marginally relevant to most financial decisions. The center will not work as it was designed to do until it starts making use of its overseas missions and its stock of data to come up with creditworthiness judgments.

Officially, at least, the center will not make explicit credit ratings of foreign countries.

"We do not wish to impose our judgments on our members, most of whom have their own credit analysis systems," said Eisuke Sakakibara, director of the center's general planning and administration department. "And because we are backed by official bodies like the Ministry of Finance and the Bank of Japan, it would be a deli-

cate matter to rate overseas countries."

He was unimpressed by the counterargument that other official bodies operate ratings systems, notably the export insurance division of the Ministry of International Trade and Industry.

"They have an immediate need for it. We don't," he said.

Unofficially, however, it seems that the center will eventually produce confidential ratings for its members along the lines of commercial ratings agencies' systems.

The center's glossy brochure says that the institute "will not publish a final rating, but will provide several ratings based upon different world economic projections."

Until then, Japanese lenders will

have to rely on their own acumen to keep them out of trouble. Based on past experience, that is not enough.

Eagerness to do more international business tends to override any pricks of doubt over the borrowers' ability to repay — a fault shared with their colleagues in the United States and Europe.

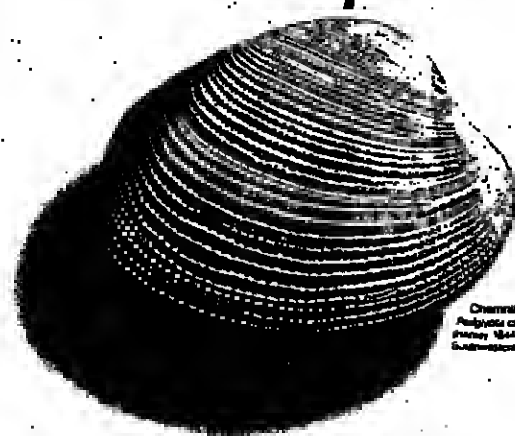
In Japan, the problem is compounded by the premium placed on going along with one's fellows. Few Japanese institutions can claim to have spotted debt crises in advance, but fewer still to have done anything about it. At one of the top city banks, a skeptical syndication manager succeeded in dickering over the documentation of a trade credit to the Philippines for most of 1983 until the country's moratorium on debt repayments in October

finally enabled him to shelve the deal. That kind of obstinacy is rare among Japanese bankers. As the bōryō Japanese proverb has it, the nail that sticks out gets hammered down.

Now that the conformists have to explain \$30 billion of bad overseas loans, perhaps more of them will listen to the center's early warning of further troubles to come.

"The immediate liquidity problem has improved, but the medium and long-term solvency question is worse," Mr. Sakakibara said. "No fundamental solutions have been offered. What has been done so far is just patchwork, and in the long run that may very well make the solvency problem worse."

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JAPAN

Financial Markets: Internationalization

(Continued From Page 13)
definite at this moment," said Toyoo Gyohten, deputy director-general of the Banking Bureau at the ministry.

Mr. Binney sees little demand or need for a yen Bankers' Acceptances market. Dollar acceptances are effective and offer great depth and liquidity. Hiroshi Ofuji, a managing director of Daiwa Bank, agreed. "It's not required," he said. But he predicted that the government will grant its approval, although it may take time. Sachio Kohjima, deputy general manager of the international investment division at the Bank of Tokyo and a leading advocate of a yen Bankers' Acceptances market, believes that it will get the green light by the end of the year. The matter depends to some degree on how strongly the United States presses for it, Mr. Kohjima said.

The fifth item on the list, a promise to raise the ceilings on the issue of certificates of deposits by foreign banks, pleases foreign bankers. They are less enthusiastic about the reduction in the minimum size of a CD, from 500 million yen to 300 million yen, which took effect on Jan. 1. Mr. Binney thinks that it would have to be reduced further, to 100 million yen, to have much effect.

The Japanese government will end the legal limits on foreign shareholdings (set at 25 or 50 percent, depending on the company) in 11 designated companies, most of which are in the oil and mining fields. Mr. Binney, however, predicted that the Japanese authorities will continue to prevent foreigners, through administrative guidance, from taking a majority stake in these firms, and he is sympathetic to that stance. He pointed out that the U.S. government would not allow overseas investors to acquire a controlling interest in AT&T or a defense contractor.

Finally, the Japanese pledged to introduce a bill in the Diet to allow the government to issue bonds abroad. Mr. Binney doubts that the government will float bonds overseas after it gets permission. Japan can finance its huge public-sector deficit at home. Interest rates are higher in foreign markets, except in Switzerland, and there is always exchange risk.

Some public corporations, with the Japan Development Bank going first, will tap the Yankee bond market in New York this year. Industry sources question whether these issues, of around \$100 million each, will achieve the desired result of pushing up the yen. "It may have an effect on public relations. It will

show that the Japanese government is serious about having a more realistic exchange rate. But in reality it will not have the intended impact, through the issue of \$100 million, a small trickle," Nomura's Mr. Yamada said.

Bankers and government officials agree that the authorities will continue to open up the markets. They emphasize, however, that the pace of liberalization will remain slow and deliberate. "I am of the opinion that liberalization moves will continue to appear over the next year or so. But it will not come all of a sudden on April 1," Mr. Yamada said. "Once you have started on the road to liberalization, it is difficult to turn back, unless the parties concerned find adverse effects from the liberalization process."

Mr. Gyohten of the Ministry of Finance sees four areas of financial deregulation: expanding the use of yen in international markets, freeing interest rates, deregulating the operations of various financial institutions and deregulating the operation of financial markets. "I think progress will be continued in all these areas," he said. "I think it is important to try to maintain progress in all these areas. I think one problem of deregulation in the United States is that there was too rapid deregulation of interest rates without progress in other areas. I think if you ask American bankers, they will tell you they wish there

could have been better coordination in these areas. All these things had better move hand in hand."

"Our broad strategy is to introduce free-market interest-rate commodities; we try to expand the area in which the free market would prevail," Mr. Gyohten continued. A gradual removal of the restrictions on the interest rates paid on deposits will come last. Mr. Gyohten could not predict when that will happen.

While most financial institutions agree that further liberalization is desirable, they are divided as to how far it should go. At one end, the seven trust banks, which specialize in long-term lending and pension fund management, oppose most changes. They benefit from the current interest-rate structure, and they suffer greatly if they lose their near-monopoly of the pension management business. Life insurance companies are the only other institutions with the right to manage pension funds, and they are gaining market share. The three long-term credit banks, which enjoy fixed and ample returns from the long-term prime-rate system, are also conservative.

At the other extreme, securities companies and foreign financial institutions are pressing for sweeping changes that would greatly free up the system. Nomura's Mr. Yamada would like to see the elimination of "any items restricting the total flexibility of the Japanese market,"

such as limits on maturities of and interest rates paid on bonds, and collateral requirements for them. He pointed out that foreign bond issues accounted for half of total fund-raising by Japanese corporations last year. "The natural question is why so many Japanese corporations are going outside Japan, when they have such a huge domestic capital market; the short answer is that the Japanese capital market is behind international practices," Mr. Yamada said.

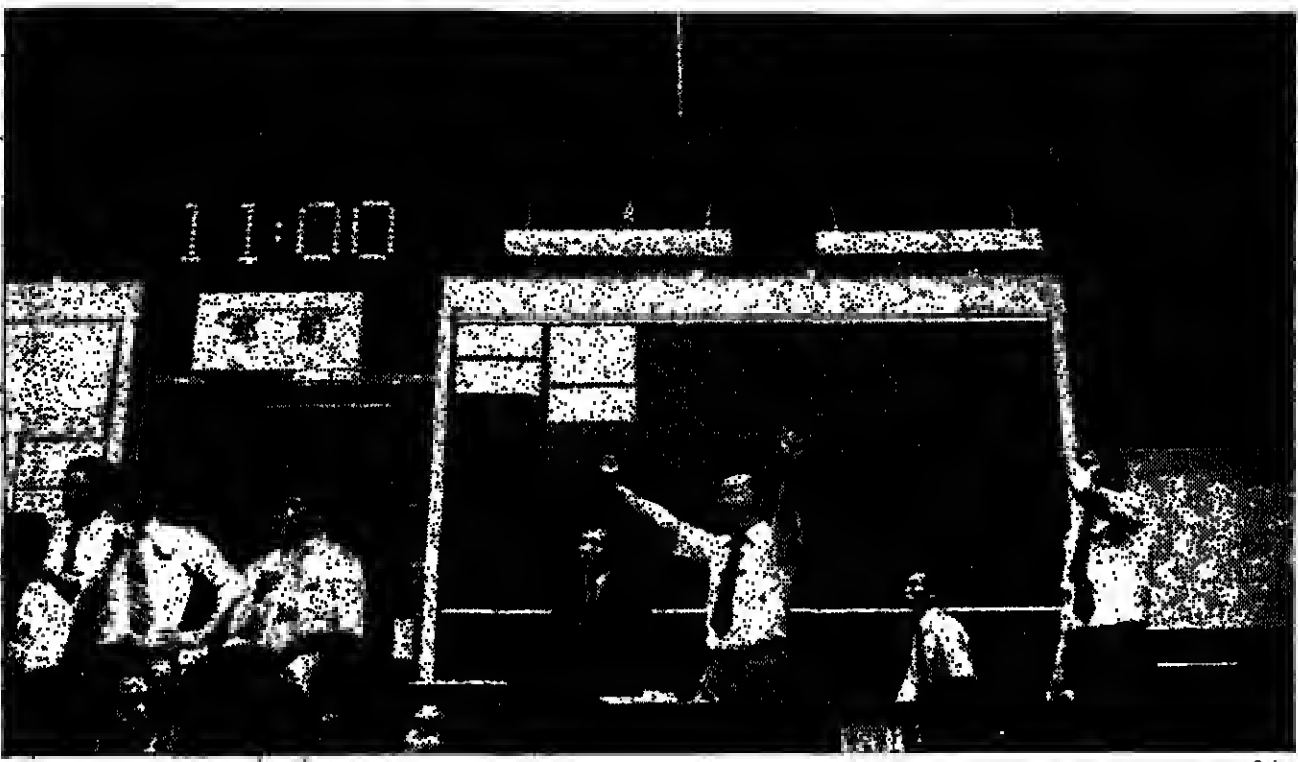
Mr. Ofuji of Daiwa Bank agrees that "liberalization of the financial market in Japan is the inevitable direction," but he quickly noted that the financial system is very complex. "A kind of order in the financial market is necessary," he said.

A thorny question is how deregulation will affect some of the weaker participants in Japan's financial markets. The Ministry of Finance has traditionally exercised great care to protect vulnerable financial institutions. Mr. Gyohten said that some institutions will suffer from greater competition. "Some will be hurt, there is no doubt about it. We have to be prepared to avoid disorderly conditions from deregulation that is too rapid," he said. If certain financial institutions do not adjust well to liberalization, "they may face the danger of becoming extinct," Mr. Yamada of Nomura said.

—JAMES S. ALTSCHUL



Trading on the floor of the Tokyo Stock Exchange.



Checking shutter speeds by computer in a Nikon factory.

Upswing in the Stock Market Is Linked To Continued U.S. Economic Recovery

TOKYO—After starting off the new year on an upbeat mood, the Tokyo Stock Exchange has seen its bull-market upswing stalled by a growing uneasiness over the prospects for continued U.S. economic recovery that is reflected in tumbling stock prices on Wall Street.

On January 9, the widely followed Nikkei-Dow Jones average of 225 shares broke the 10,000-yen level for the first time. This rise was credited by analysts to vigorous purchases of Japanese stocks by foreigners.

Prices continued to soar thereafter, sending the index to an all-time high of 10,206 yen toward the end of January. Optimistic brokers predicted at the time that it would break 13,000 yen by the end of the year.

But as the New York Dow Jones industrials average began its slide, taking along with it share prices in London and Zurich, the Tokyo index dipped to fall back below 10,000 yen.

These price declines in other stock markets induced foreign investors to pull out of Japanese stocks. A record of sales over stock purchases by foreigners was set in the week ending February 10, according to the Tokyo Stock Exchange. During that period, foreign investors sold 153.6 billion yen worth of shares, against purchases amounting to 98.6 billion yen, for an unprecedented net sales margin of 54 billion yen.

Foreign investors were net sellers of Japanese stocks by a record margin for the second straight week, ending February 18, according to the Tokyo Stock Exchange. Foreign investors sold 169.2 billion yen worth of stocks and bought 85.4 billion yen, for an excess of 83.8 billion yen of sales over purchases.

Analysts have attributed this shift in sales by foreign investors in part to profit taking following the recent upswing.

Brokers discount the likelihood that this heavy selling portends a decline in foreign portfolio investments in that the Japanese economy remains strong. They point out that domestic demand is starting to strengthen, calling for an increased supply of such basic industrial materials as chemicals, steel and synthetic fibers. Capital investment and consumer spending are also picking up.

They stress that for the coming fiscal year, starting April 1, economists' growth predictions range from 3.8 to 4.7 percent, compared with 3.5 percent for the current year.

Last year, foreign investors were net buyers of Japanese shares worth 666.5 billion yen, exceeding the 493.2 billion in net purchases made by Japanese financial institutions, such as insurance companies and banks. However, selling over buying of shares has continued to prevail among Japanese individual investors. In 1983, they were again net sellers for 1,054 trillion yen worth of stocks.

This disenchantment of Japanese individual investors in stocks has become deeper and deeper as Japanese corporations have failed to raise dividends to internationally competitive rates in spite of the growth in their earnings. For instance, the average rates of return paid by companies listed on the New York Stock Exchange last October was 4.5 percent. In London, it was 5 percent and in Frankfurt 3.8 percent. In Tokyo, it stood at 1.1 percent.

When the Tokyo Stock Exchange reopened its doors after the war in 1949, individuals constituted 70 percent of all investors as the buying of shares came within the reach of the general public as a result of the "democratization" policies dictated by the Allied Occupation authorities who ordered the break-up of the economic baronies known as the *zaibatsu*. Today, the proportion of individual investors has dipped to 28 percent.

According to the Bank of Japan, corporate stocks at book value represent only 1.7 percent of individual financial assets. In 1952, this ratio was 11.4 percent.

Unable to earn a regular income from dividends, individual investors resort to increasing their capital assets by accumulating stock dividends given by many Japanese companies when profits soar and stock prices rise. Between 1973 and 1982, such "bonus" issues accounted on the average for 28 percent of the total increase in capital of listed companies.

Such stock dividends, however, have the effect of keeping stock prices in the lower ranges because the share values are diluted. The taxation system also encourages this practice by individual investors as capital gains are free of tax, while dividends of up to 100,000 yen from any one company are taxed at 20 percent and at the investors' income tax rate after that.

In the same manner, Japanese institutions either hold shares on a long-term basis for

capital appreciation, not dividends, or as part of their relationship with other companies. The latter tendency is strongest among corporations that are constituent parts of a *keiretsu*, the 16 large industrial and financial groups that dominate the Japanese economy.

According to Tokyo's Dodwell Consultants, these groups comprise 920 companies, or about 0.06 percent of all Japanese corporations, excluding banks and insurance companies.

While the antitrust law prohibits a single holding company from controlling or coordinating such a group, it allows the cross-holding of shares among the companies in a *keiretsu*, the six largest among these being Mitsui, Fuyo, Sanwa, Dai-ichi Kangyo Bank, Sanwa and Dai-ichi Kangyo banks.

Cross-holding — total intra-group holdings as a proportion of total group capital — of shares was Mitsui 17.7 percent, Fuyo 16.4 percent, Sanwa 13.6 percent and Dai-ichi Kangyo 14.1 percent as of March 1981.

The core companies of the other 10 *keiretsu* often hold substantial shares of companies in their respective groups. For instance, Hitachi Ltd. holds 46.3 percent of the shares of the companies in its group, while Matsushita Electrical holds 44.2 percent. Besides, members of one *keiretsu* frequently hold shares in companies belonging to another *keiretsu*. The Nippon Life Insurance Co., a member of the Sanwa group, is the highest shareholder, at 3.8 percent, in Hitachi Ltd., the nucleus of the Hitachi group.

These institutional shareholders seldom trade their shares. However, because turnover in each stock must reach a minimum figure each year to maintain its listing on the exchange, they swap their portfolios back and forth to swell the turnover figure.

Thus, with both individual and institutional investors refraining from active trading, the market for many shares on the Tokyo Stock Exchange is very thin, giving it high volatility.

This feature is often cited as a reason for caution by foreign investors as the market is difficult to analyze and, at times, to understand, especially since financial information on many Japanese companies is hard to get.

—ROBERT Y. HORIGUCHI

Lion's Share for Institutional Investors

TOKYO—U.S. institutional portfolio managers are gradually making their influence felt on the Tokyo Stock Exchange, where they are credited with having contributed substantially to the 18-percent increase in foreign investment in Japanese stocks to \$3 billion last year.

In the view of Japanese analysts, U.S. pension and trust funds are changing the overall pattern of foreign portfolio investment by shunning big-name stocks in favor of issues by smaller, less-known companies that show a high performance. Up to now, foreigners have tended to focus their purchases on stocks of manufacturers of electrical and optical goods, whose brands are known worldwide, rather than on utility and heavy-industry issues.

The leading Japanese financial daily, Nihon Keizai Shimbun, made a survey last March of the 10 stocks held in largest quantities by foreigners. It showed that 25.2 percent of the total shares issued by Canon, the camera and office-equipment manufacturer, was in foreign hands. In the case of Fujitsu, the electronics firm, this proportion was 19.4 percent, for Nippon Electric 18.3 percent and for Matsushita Electrical, the giant household appliance maker, 16.9 percent. In contrast, this ratio was 7.3 percent for

Nippon Steel and a minimal 2.7 percent for Tokyo Gas.

While these blue-chip issues have, on the whole, performed well over the years, they have lacked the luster that some high-technology stocks displayed last year. Among such issues, brokers cite those of Fanuc, a Fujitsu subsidiary that makes industrial robots, for which stock appreciated 196 percent last year, and those of Nippon Tanshin Kogyo, a manufacturer of computerized telephone systems, which jumped 226 percent in 1983.

At current levels, Japanese stocks are not cheap. The price-earnings ratio of major issues stood at 23.8 percent, against 10.3 percent in London, 12.3 percent in New York and 14.6 percent in Frankfurt, as of October last year.

However, this ratio is expected to be reduced by about 20 percent for Japanese shares when a new law goes into effect in April. Under this statute, companies will be required to report all their subsidiary earnings, not only the consolidated earnings of the parent company. Until now, companies made their earnings look less by omitting to report the earnings of their subsidiaries and, thus, increased the price-earnings ratio.

In spite of their increased visibility on the

Tokyo market, U.S. investors are still far from being the largest buyers of Japanese stocks, according to Walter J. Burkett, general manager here for Merrill Lynch International.

Although the flow of petrodollars has dwindled because of the current oil glut, Middle East investors continued to lead the foreign contingent last year, he said. Europeans ranked second, followed by Southeast Asians, mostly based in Hong Kong, and then U.S. investors.

Brokers, however, foresee that the interest of U.S. institutional investors in Japanese stocks will continue to grow. They attribute this to three factors — the availability on the Tokyo market of a substantial number of attractive investment vehicles; a dynamic stock market that is steadily moving upward. The market value of shares traded in the first, major session of the Tokyo Stock Exchange has tripled in 10 years, from 36.5 trillion yen (\$15.7 billion) at the close of 1973 to 119.5 trillion yen (\$51.2 billion) at the end of 1983, and the possibility of profiting on exchange fluctuations. By buying Japanese stock when the dollar is strong, investors from the United States stand to gain if the dollar weakens because when they sell their shares their dollar return will be higher.

—ROBERT Y. HORIGUCHI

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JAPAN

Golf Goes Beyond Boom, Is Fixture of National Sports Life

By Ken Ishii

TOKYO — Although golf has become one of Japan's most popular pastimes, the Japanese have only recently allowed themselves to overcome the cultural barrier that prevented them from accepting one of the most basic principles of this sport since it was introduced from the West early in this century.

By Western definition, a golf handicap reflects a player's ability, moving up when his game is good and down when it deteriorates as indicated by the score cards he turns in.

Japanese tend to liken golf handicaps to grades in judo, Japanese chess and other traditional sports. They move up but never down. There are medals awarded for a player's performance when his game is at its peak. This is important in a group-oriented society where the individual finds his niche in terms of the position, or rank, he holds in his particular group. The prestige attached to rank remains with him for life.

This made it necessary for the Japan Golf Association to reduce all handicaps across the board every so many years to keep them reasonably approximate to ability and stay in line with the rest of the golfing world.

But things have begun to change. The first move came in 1981 when the Kanto (central Japan) Golf

Association introduced a uniform handicapping system and required affiliated golf clubs to have their members submit all their scores, good and bad. Until then, golf clubs devised their own rules that allowed members to save face by presenting only their best rounds.

The rub is, however, that because only golf clubs can belong to golf associations, the vast majority of Japanese golfers who cannot afford club memberships are left out.

Japan's golfing population today is estimated at 12 million. There are about 1,700 golf courses throughout the country but only about 100 of them are public. This means that only two out of every 10 own golf club memberships — and handicaps.

Until the 1950s, golf in Japan was a sport for the rich. The boom began in 1957 when, to everyone's surprise, Torakichi Nakamura and Koichi Ono won the team trophy and Nakamura the individual title for Japan against top international competition in the Canada Cup (now the World Cup) played at the Kasumigaseki Country Club near Tokyo.

The pair became national heroes. Suddenly everyone, it seemed, wanted to swing a club. Developers began building golf courses all over Japan. Driving ranges sprang up in every neighborhood. Sales of golf equipment began to soar. Japan today is the world's

largest market for golf equipment after the United States and, some say, may even overtake the United States judging from the intensity with which Japanese go about the game.

Golf in Japan has long since passed the boom stage. It has become a solidly established fixture of Japanese life that has taken in everyone from company presidents to housewives, bureaucrats to tradesmen.

Neither has the exorbitant cost of playing the game dampened Japanese enthusiasm. Any accessible golf course — and a two-hour one-way drive is considered accessible — is packed every day of the week. Starting times are spaced every six minutes with train-schedule precision. Reservations must be made up to a month in advance. Most golf courses make their money off visitors' green fees, which range from around \$8,000 yen (\$34) on weekdays to \$25,000 yen (\$106) on weekends and holidays. Thus even at the cheaper courses a day's golf — green fee plus caddy fee (since most courses do not have carts), lunch and tax — is something the average wage earner can afford only once a month at most.

Faced with a major loss of income as a result of recent snow, several golf courses near Tokyo have sprinkled heat-absorbing sand on their fairways to help the snow melt, or mobilized their staffs to shovel snow off the fairways and greens.

For the club member, the game is just as expensive. For although his green fee is nominal (usually 500 yen — \$2.10), the cost of a membership can run anywhere up to 40 million yen (\$170,000), sometimes more.

Club memberships can be purchased for as low as 500,000 yen (\$2,136), but such courses are usually so far away they require an overnight stay or have so many members that the members themselves have trouble getting a starting time. For the urban golfer who wants to enjoy his game, anything less than 10 million yen (\$42,700) is not recommended.

In addition to individual memberships there are corporate memberships. For many companies prefer to entertain their clients over 18 holes rather than at nightclubs or geisha parties.

A visiting foreign businessman is more than likely to be invited by his hosts to one of the more prestigious golf clubs. Around Tokyo, these would include Kasumigaseki, Sagami and Hoshigaya, all private courses where memberships are passed only from father to son, and the Three Hundred Club, Totsuka, Musashi or Sagami whose rosters are restricted to the famous and affluent.

Tourists looking for a round are out of luck unless they can find a club member to accompany them. The public courses are too few and too crowded to be worth considering.



Golfers practice their strokes.

Satellite Launching: Rapid Expansion of Direct Television Broadcasting Expected

By Mark Schreiber

TOKYO — With the launching of the Yuri 2a on Jan. 23, Japan's National Space Development Agency and NHK (the Japan Broadcasting Corporation) have set the stage for the country's first practical satellite TV broadcast system.

From a stationary orbit over Borneo at an altitude of 22,000 miles (35,200 kilometers), the Yuri 2a's TV broadcasts, which are scheduled to begin in May, will be aimed not toward gigantic relay stations but directly at the homes of individual viewers.

The new satellite also packs the technical capability to expand into other promising new communica-

tions fields, such as digitally-recorded FM radio, high-resolution TV, facsimile and still-picture transmission.

By the time the first broadcasts begin, only a few hundred households are likely to have the equipment necessary to receive signals. However, at least a dozen major electronics manufacturers have already announced plans to market the product by this spring, and industry estimates predict as many as 2 million users within the first five years — a growth comparable to black-and-white sets when television was introduced here in the early 1950s.

A so-called "BS" (for broadcast satellite) antenna resembles a large dish mounted vertically on a mast

or tripod. About 27.2 inches (69 centimeters) away is the converter, a cylindrical device with a bell flare — somewhat resembling the klaxon horns on vintage automobiles — which points at the antenna's center.

The antenna/converter assembly, made of weather-resistant materials treated against rain, wind and snow, is set up in the owner's back yard, on the roof or eaves of the house, pointing southward. Signals picked up by the converter are transmitted by cable to a tuner unit beside the owner's television.

By using the tuner, satellite transmissions can be viewed on existing TV sets. A complete antenna, converter and TV tuner system will be sold to consumers for slightly more than \$1,000, with separate

charges for installation. A single antenna is not limited to one household; it can also be installed to service multiple users, such as apartment dwellers or close neighbors.

Since the antenna must be aimed at the orbiting satellite, adjustment of orientation is much more critical than conventional TV antennas. The further south the user lives, the greater the angle above the horizon becomes. Thus, in Japan the setting will vary from a low of about 29.1 degrees from the horizon in the country's extreme north to nearly 60 degrees in the south. In Tokyo, the correct angle of adjustment is 38 degrees, considered enough in most cases to peek over hills or the tops of adjacent buildings. Signals

from the satellite reach the viewer after a delay of just one-quarter second.

The satellite's signals become progressively weaker away from the center of the broadcast area — in this case Tokyo and central Japan. Thus, unlike viewers in the major urban areas, where an antenna as small as 23.3 inches in diameter is said to be sufficient, users living at Japan's northern and southernmost extremes will require antennas of at least twice that size.

The main coordinator behind the Yuri 2a project is NHK, which will control both of the satellite's two TV broadcast channels, one for general and the other for educational programs. NHK began its TV service in

Tokyo and Osaka in 1952 and subsequently expanded to its present nationwide network. However, it is estimated that there are still some 420,000 households — a little more than 1 percent of Japan's total television audience — living in areas too remote to receive TV signals. These residents of rural Hokkaido, the Japan Alps in central Honshu, the southern part of the Ryukyu island chain and the Ogasawara (Bonin) islands — including two Jims — will be among the first to enjoy the immediate benefits of satellite broadcasts.

"Besides services to remote areas, there are many other uses being planned for the satellite broadcasting," said Fuminori Shiga, an assistant general manager at

NHK's Technical Research Laboratories. "Another important use we foresee for this system is emergency transmission capability. NHK's main transmitter is in Tokyo, with a backup in Osaka. There's always the concern that some disaster such as a major earthquake could conceivably knock out the entire country's TV coverage. A satellite system can obviously remedy this weak point."

While programming has not yet been announced by NHK, no surprises are expected.

While satellite broadcasts will begin along the lines of existing TV media, its impact will extend into many new areas. One example is "high-definition television." NHK has been at work for several years

on the development of a new broadcast standard to replace the current NTSC color format. Employing 1,125 scanning lines on the TV screen — as opposed to only 525 for NTSC — this system is capable of providing a much clearer image.

Another service being planned for the future is "super FM" radio. Using digital PCM (pulse code modulation) encoding, satellites will be able to relay high fidelity stereo broadcasts superior to any existing form of FM, and with the added bonus of coverage of the entire country from only one station. Still images, facsimile transmissions and other types of media services are included in the long-range plans for the Yuri 2a.

International Lending: Japan Makes a Good Showing

(Continued From Page 13)

will have three effects on the markets. First, spreads will be put under pressure. The return a bank gets from making an international loan has not risen over the last year, as an armchair theorist might have predicted from the number of reschedulings. In theory, higher risk calls for higher return. In practice, banks have fallen over themselves to lend to those remaining countries that are not yet camped in the arrium of the IMF's head office.

The arrival of the Japanese banks, flush with funds and keen to lend, will push spreads on international loans down. This is already the case in the yen loan market. In late 1983 Japan's Ministry of Finance, which has the final say over the terms and conditions in the yen market, agreed to lower spreads — a concession to the cutthroat competition for yen loan mandates between the Japanese banks. The ministry used to require banks to charge a spread over the Japanese

long-term prime rate but it agreed to waive the requirement, and two borrowers — the World Bank and the Inter-American Development Bank — have been able to raise yen funds at prime rate.

A second consequence of Japanese participation will be greater fee income for Japanese banks. With greater market clout, Japanese banks will be lead managers more often and subordinate managers or mere participants less often.

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U.S. Election, High Interest Rates Bolster Yen Value

(Continued From Page 13)

currencies, and experts anticipate further, although more modest, gains. Mr. Nakajima thinks the mark will drop to 78 or 79 yen. Mr. Gray sees the rate tending toward 80.

Mr. Gray also believes that the yen will advance against the Swiss franc, both because the Swiss authorities do not want the franc to rise against the mark and because a good deal of Swiss capital, in the form of Japanese Swiss-franc bond

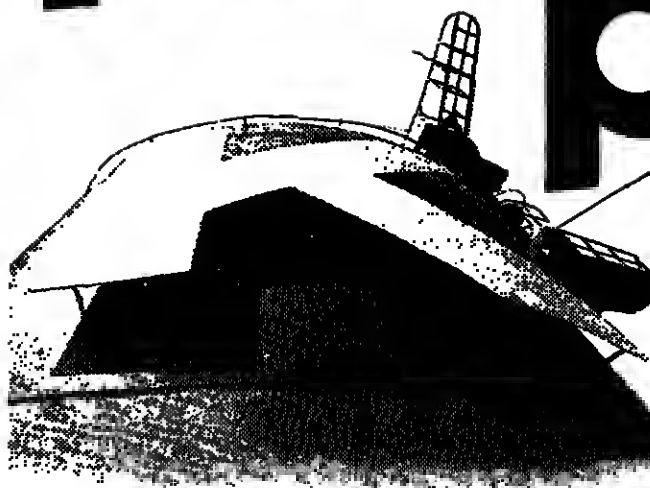
issues, is flowing to Japan. In most months, Japanese entities float between 200 million and 250 million Swiss francs' worth of bonds in Switzerland. Nor is the pound poised for a jump. "Sterling still looks high to me against some European currencies," Mr. Gray said.

He emphasized the yen's great steadiness at present. "It's not even a very interesting subject at the moment for traders," he said. "The yen is very stable at the moment. Things that overhang the European

currencies tend not to have an impact on the yen."

Mr. Gray does not think that the recent moves to liberalize Japanese financial markets somewhat, notably the abolition of the rule that barred parties from entering into forward contracts unless there was an underlying contract, will have only a limited impact on foreign exchange trading. Mr. Gray said that the rule changes will allow companies to manage foreign exchange more actively.

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ON WHAT Motivates International Portfolio Diversification

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ONE THING that U.S., Japanese and many European companies have in common is a growing base of pension assets that must be prudently managed. Where these companies differ is in how rapidly pension fund managers have diversified their portfolios internationally. From the Japanese perspective, the Europeans were the first to enter the Japanese securities market. And until recently, European money managers have almost monopolized—at an estimated 85 percent—the flow of institutional funds from Europe, the Middle East and even North America into Japanese equities. Last year alone, net purchases of Japanese equities by nonresidents amounted to approximately US\$4.4 billion.

The noteworthy trend during 1983, however, was the growing interest of American pension funds and other institutions in the Japanese stock market. The consensus seems to be that this trend should persist. What is your analysis of recent developments?

Tiedemann: As you imply, the dramatic growth of pension funds in both the United States and Japan has created an environment where money managers have been increasingly looking outside their national borders for investment opportunities. For many years the financial community has talked about investing globally and internationalizing markets. I believe that at long last it may now become a reality. U.S. investors have certainly learned that there have been many times when U.S. markets have been bad for an extended period, while other markets have been performing well.

THOSE of us who have closely observed the Japanese economy tend to ask "why now?" after the Japanese economy seems to have passed its period of peak growth. What do you think American and other international institutions see in the Japanese stock market?

Tiedemann: There are probably many investors who wish they had found the Japanese market several years ago. If they had, they certainly could have materially improved their performance.

In my judgment, the situation has not really changed all that much. The performance of the Japanese economy in recent years, measured in terms of real rates of growth, the ability to control inflation and other economic fundamentals, has compared very favorably to other economies. The only people seemingly still dissatisfied with the rates of Japan's economic expansion—the highest among the industrialized nations—are my Japanese friends.

My reading is that the flow of American pension funds into Japanese equities first and foremost indicates confidence in the Japanese economy and its prospects for growth. I think that investors are also pleased by the strengths of Japanese

companies, both the quality of management and the quality of earnings. Another factor is the liquidity of the stock market in Japan. With total capitalization of the market at over US\$500 billion—the second largest of any equities market in the world—and daily trading volume recently averaging US\$800 million, the Japanese market certainly has the liquidity that institutions require.

My own assessment of the situation is that investors are also taking a look at the region as a whole. Many analysts agree that Asia has some of the best growth prospects. Within the region, Japan is best positioned to act as a leader.



MUCH of what you have just said seems to have been equally true 10 years ago. In the meantime, of course, we have seen the yen emerge as a currency of settlement and even as a reserve currency, but have there been any other structural factors that have facilitated the growth of interest in Japanese equities?

Tiedemann: From the position of an American money manager, I think the situation has changed significantly. A decade ago the Japanese stock market was substantially smaller than the U.S. market. Many managers obviously thought it was too small. Another factor that has changed is the quality of research and the quantity of industry statistics available on Japanese companies. The companies themselves are doing a much better job of communicating with investors, including conforming with SEC-type financial reporting requirements. The firms providing investment research are also doing a better job of covering the Japanese market.

In this connection, we might also look back on the passage of ERISA almost 10 years ago. The impact of this legislation was to make investors fear they would be violating their fiduciary responsibilities or not living up to the "prudent man rule." The result was that many investors passed over the opportunities in the Japanese market. Now, with much better information, many managers feel more confident that they can make prudent investments in Japan. I for one think that the timing is ripe for further internationalization of

stock markets worldwide, and I expect to see more money flowing into Japan.

OBVIOUSLY the internationalization of securities markets is a multifaceted theme. You mentioned that better information is now available on Japanese companies compared with a decade ago. Back in 1974, the number of Japanese companies that had issued securities in international markets barely exceeded 30, but now the number is approaching 300. Of the 1,441 companies listed on the Tokyo Stock Exchange, foreign investors hold over 10 percent of the shares of approximately 300 companies. In total, nonresident investors hold 5 percent of all shares outstanding—a significant figure considering the size of the float for many companies. A few managers are even pleasantly surprised that international investors have taken such a liking to shares of their company.

How does this situation compare with the United States, and do you feel that American firms are looking to raise capital internationally?

Tiedemann: To respond to your last point first, I feel that most managers are encouraged that foreign investors have become large holders of their securities.

With Japan as the case in point, one can cite the growing interest of Japanese institutions—and even individuals—in American equities. These investors are also diversifying, and the securities industry is encouraging this growth. Nikko Securities and two other Japanese brokers are already members of the New York Stock Exchange. We have also recently seen a number of discussions between Japanese brokers and U.S. commercial banks regarding the establishment of joint venture trust companies. One obvious purpose is to interest more Japanese institutions in investing in the United States.

At the same time, U.S. securities firms have opened branches in Tokyo, many of them within the past two years, and several of their representative offices have applied for branch status. Their European counterparts have two branches and over 40 representative offices in Tokyo.

WHAT are your views on U.S. and other companies tapping the Japanese capital market?

Tiedemann: As background, let me say that an increasing number of American financial officers have developed a sophisticated understanding of international financial markets. They have put this understanding to work in financing inventories and expanding operations by tapping foreign markets at the most opportune moments. In addition, many corporate financial officers who oversee extensive foreign activities will use a number of currency hedging devices to reduce the risk of major currency fluctuations. There are still, however, a number of large corporations that have not taken the time or given the effort to developing the skills needed to take advantage of markets outside the United States. That includes Japan.

The Japanese market, however, does have a number of special features. Only a handful of foreign companies are listed on the Tokyo Stock Exchange, and the number has declined from a peak of 17 as recently as

1977 to only 11 companies at present. Listing regulations and costs are certainly a consideration but so is the level of interest among Japanese institutions. I expect this level to rise as fund managers increase the percentage of non-Japanese equities in their portfolios.

The market for debt securities is more of a regulatory issue. Although many firms would like to gain access to the Japanese bond market, the emphasis on collateral and other rather unusual regulations have discouraged them. It is in the interest of Japan to further open the bond market, and I am pleased there are signs of a move in this direction.

RECENTLY it has been hard to speak about corporate finance without broaching the subject of venture capital. This is a hot topic in Japan as well as in the United States. In the early 1970s, Japan experienced its first wave of venture capital as many securities companies and banks rushed to set up venture capital arms. Most of these were financing second- and third-phase companies rather than start-up situations. Then the oil crisis occurred, and the topic faded.

Now there is another wave of interest in venture capital, and the number of venture capital operations has more than doubled over the past two years. A growing volume of offshore funds is finding its way to new partnerships. The obvious attractions are the ability that Japanese companies have demonstrated in the high-technology field and the basic vitality of the Japanese economy.

The structural factors encouraging the recent boom in venture capital include the reduction of requirements for over-the-counter trading and the relaxing of what have been comparatively stringent listing requirements on the major exchanges. How does this situation in Japan compare with the United States?

Tiedemann: With the reduction of the rate of capital gains tax in the United States, interest in venture capital has increased dramatically. Over the last two years, several billion dollars have been raised by different professional groups to be used as venture capital—more than was outstanding just a decade ago.

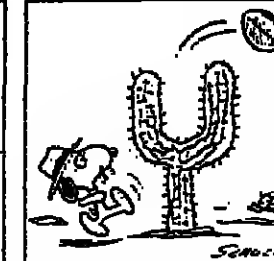
It is an exciting, healthy trend for the United States to have such a large pool of capital available for entrepreneurs who wish to start new businesses. One risk is that there has been too much capital raised for the number of good new investment opportunities available, thereby reducing the rate of return to investors in the future. At this point, I think I would rather be the entrepreneur than the investor.

In my judgment, there should be the same venture capital opportunities in Japan as there are in the United States. In fact, I am optimistic about the Asian region as a whole. Venture capital is a relatively simple financing technique compared with the cumbersome mechanisms found in many developing nations. Looking at Japan alone, I think the real opportunities lie in the field of high technology.

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TILL THEY RECAPTURE HIM

* MARGARET'S TAKING HER NEW COMPUTER TO SHOW

(Answers tomorrow)

1. LEMON SUEDE JIMMY EATHOM CRAYON

MIDDLE EAST					
Ankara	6	43	-3	26	fr
Houston	32	72	17	63	pc
Los Angeles	29	84	14	57	lr

Prices in Canadian cents unless marked \$.

ABN	304
ACF Holding	195
Ascon	122.80

Deutscher Volksbank	383	387
BMW	410,90	411,50
Commerzbank	180,90	182

Closing Prices in local currencies

Mario	1376
Michelin	873
AAA Pennar	58.00

01	Previous : 734.88
62	
50	

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Reviewed by Joseph McLellan

At the center of "Floodgate" is the "unremarkable figure" of Lieutenant Peter Van Effen, the senior detective in the Amsterdam police force, "an explosives expert and, for his

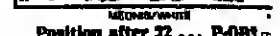
though still held by the terrorists, and the outcome is not really in question. It is not so much that the book lacks a climactic structure, but that many pages remain after the climax has been reached.

These pages are worth reading for their de-

Joseph McLellan is on the staff of The Washington Post.

14 ... B-R6; 15 B-KR1)
Mednis had a new idea with 14
N-Q2!? — to give up the ex-
change for a paw with
14 ... B-R6; 15 BxP!?, BxR;
16 QxB. The white minor
pieces could develop good play

geose worthy of the oam
would have been to return th
exchange with 24 . . . RxN
25 PxR, QxP. Of course, aft
26 R-R1!, Q-B1; 27 Q-R
White's positional superiorit
would be clear.



ENGLISH OPENING			
White Move	Black Response	White Move	Black Response
1 P-QB4	N-KB3	2d Nc3	N-K1
2 P-KN3	P-KN3	2f N-B5	Q-B7
3 B-N2	B-N2	2h N-B8	P-B3
4 N-KB3	O-O	3d B-B3	O-O

5	Q-O	P-Q3	23	B-B5	P-P
6	N-B3	P-K4	24	B-R	Q-N
7	P-Q2	P-B3	25	B-R	Q-B2
8	N-A1	P-Q4	26	K-K1	Q-B2
9	P-Q2	P-K3	27	P-P	P-B2
10	P-Q4	P-P	28	P-B	P-B2
11	P-P	B-B3	29	P-A1	P-B2
12	P-B5	P-Q2	30	Q-Q2	N-B
13	P-B2	Q-Q2	31	B-B	N-B
14	N-Q2	B-B6	32	B-B	N-B
15	B-P	B-R	33	B-B3	K-B1
16	Q-B	B-R2	34	Q-Q2	Q-B2
17	B-Q3	P-Q4	35	Q-B7	Q-W
18	Q-B1	P-B5	36	B-B3	N-B
19	N-B-K4				

657	664	Cold Storage	4.52
316	318	OBS	10
364	368	Foreign Marine	1.75

[illegible]

35	1,540	ACI	177
90	5,185	ANI	278
		ANZ	540

	BHP	1320
	Boral	255
	Boulevardville	255
	Brombries	700
	Coles	378
	Comcast	288
	CRA	152
	Dunlop	244
	Elders Int	406
	EZ Ind	527
	Hosker	142
	Kepler	264
	MIM	367
	Niver	784
	Oakbridge	90
	Pata	44
	Powell	475
	RGC	398
	Santos	647
	Seah	145
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